

BC Hydro report two thousand

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## key financial and operating comparatives

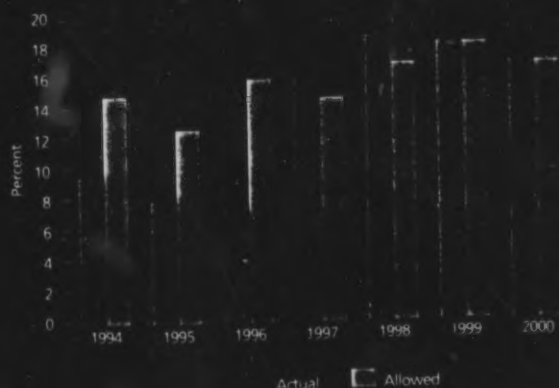
### financial comparatives

(MILLIONS OF DOLLARS UNLESS OTHERWISE STATED)	2000	1999	1998
Revenues	\$ 3,457	\$ 3,017	\$ 2,533
Net income	\$ 416	\$ 395	\$ 408
Capital assets	\$ 9,320	\$ 9,236	\$ 9,168
Net long-term debt	\$ 7,005	\$ 7,491	\$ 7,191
Rate stabilization account	\$ 129	\$ 0	\$ 0
Retained earnings	\$ 1,385	\$ 1,312	\$ 1,243
Capital and deferred expenditures	\$ 406	\$ 392	\$ 325
Debt to equity	74.26	77.23	77.23
Return on equity (%)	16.69	17.43	18.69
Interest coverage	1.89	1.60	1.66

### operating comparatives

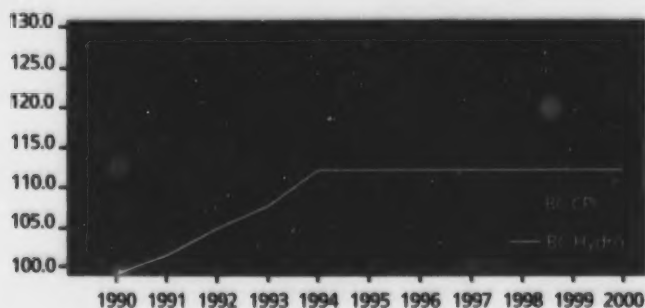
Number of customers	1,580,110	1,558,294	1,534,601
Generating capacity (MW)			
Hydroelectric	9,992	9,960	9,921
Thermal	1,123	1,085	1,078
Peak one-hour demand (MW)	8,423	8,777	8,243
Average annual kW-h use per residential customer	10,507	10,201	10,171
Average number of customers per employee	284	285	271
Domestic sales (GW-h)	46,442	45,791	43,292
Electricity trade sales (GW-h)	23,410	18,715	13,168
Electricity sold per employee (GW-h)	12.63	11.89	10.08

### return on equity

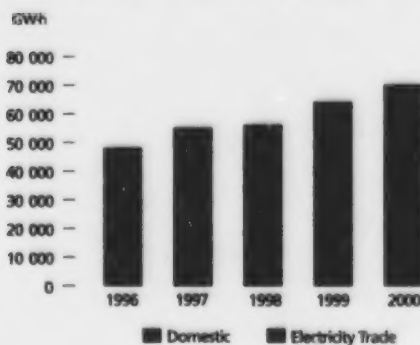


# highlights

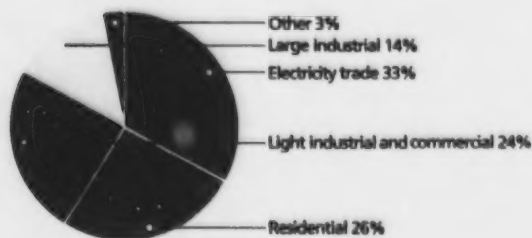
annualized rate increases vs. consumer price index  
indexed to March 31, 1990



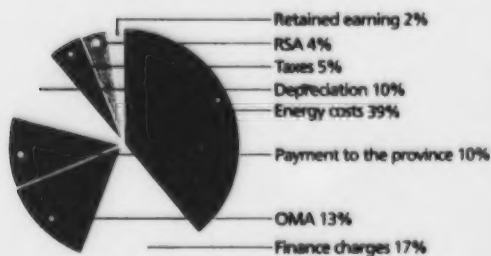
domestic & electricity trade volumes




sources of revenue



allocation of revenue





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*A snow-sampling tube measures  
how much water is stored on  
mountains in the form of snow.*



# minister's message

Government of British Columbia

Minister of Employment and Investment

Minister responsible for BC Hydro

Vancouver,

June 2000

The Honourable Garde Gardom,

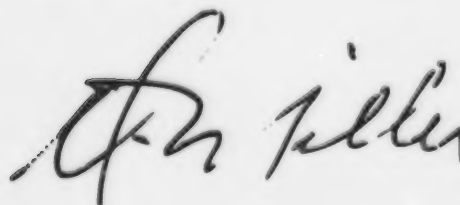
Lieutenant Governor of the Province of British Columbia

Dear Sir:

BC Hydro has always been a source of pride for the people of British Columbia. The hard work of its employees and progressive stewardship of natural resources allow BC Hydro to provide among the lowest electricity rates in North America.

It therefore gives me great honour to submit BC Hydro's annual report for the year ended March 31, 2000.

Yours respectfully,

A handwritten signature in black ink, appearing to read 'Dan Miller', with a stylized, cursive script.

Dan Miller



# letter from the chair

Energy markets around the world are changing. Utilities are dealing with changing rules around competition and are being challenged with rapidly evolving technology that is breaking down traditional market barriers. Our future success will depend on how we position BC Hydro today.

In light of this, we made strategic deals with major partners in the Alberta and US to secure natural gas supplies and to grow our transmission network. We signed a joint agreement with 25 other utilities to meet industry-wide expectations of reliability and overall cost effectiveness. We also played a key role in discussions with our western North American colleagues on regional transmission organizations and how to best structure these organizations in the future.

Our business is also diversifying in new and more innovative ways. Our new Integrated Electricity Plan, released in January 2000, includes a commitment to develop alternative energy technologies and incorporate them into our business. We also made important progress in our international environmental commitments by purchasing greenhouse gas offsets and by making good on our contribution to Canada's action plan on global climate change.

Our business may be changing, but our commitment to our vision remains constant. We have to be a competitive, commercial Crown corporation which creates superior value for our customers and our shareholder through the exceptional contribution of our people. Our progress over the past year serves to make us a stronger company – a company that is better positioned to provide you, the citizens of BC and our shareholder, with excellent service, low rates and valuable investments in our communities.

Sincerely,

A handwritten signature in black ink, reading "Brian R.D. Smith". The signature is fluid and cursive, with the first name "Brian" being the most prominent part.

Brian R.D. Smith  
Chair



# letter from the ceo

BC Hydro has enjoyed great success in the 1999/2000 fiscal year, with a net income of \$416 million after rate stabilization account transfers. This tremendous financial result is attributed to higher-than-normal water inflows, growth in electricity trade, and the hard work and dedication of our employees.

I am pleased with our progress, but there is still more work that needs to be done. The biggest challenge is remaining flexible in a rapidly changing industry. My personal goal is to encourage more openness across the company.

As our Integrated Electricity Plan demonstrates, we will meet the province's immediate and long-term energy needs in an environmentally and socially responsible way. However, we have two major challenges: the first is to keep our low-emissions status by minimizing or offsetting greenhouse gas emissions as we add natural gas resources; the second is to break new ground in the field of alternative or green resource options.

Private sector partnerships will feature prominently in these and other new business ventures. We have developed partnerships on Vancouver Island to buy the energy output of two gas-fired cogeneration plants near Campbell River and Port Alberni. And our research and development activities to acquire new green resources will be carried out in partnership with interested groups.

To keep pace with other important business developments, including growing Internet economies, we are developing an aggressive e-business strategy to lay the groundwork for future electronic activities. We are also introducing new products and services that target middle market and large industrial customers to save them money and energy.

As we forge ahead, our goal is to ensure that British Columbia remains a strong economic force and is placed at the leading edge of developing responsible energy solutions.

Sincerely,



Michael Costello  
President and Chief Executive Officer

## Integrated Energy Solutions

Hydroelectricity is renewable, low cost and a strong resource base for a solid future. We can meet British Columbia's energy forecasts with existing and committed resources until 2007.

Beyond that, we've identified resources that are efficient, low in emissions and low in social, economic and environmental impacts. It's all part of our corporate mission to provide customers with integrated energy solutions in an environmentally and socially responsible manner.

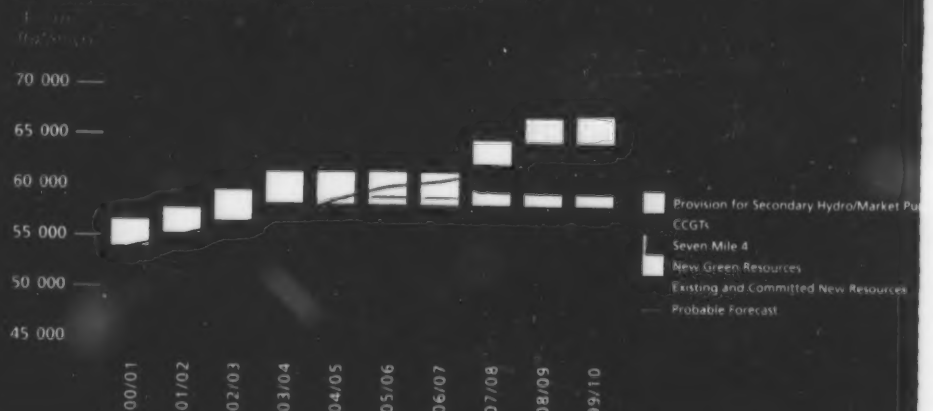
Our next major resource addition will be high-efficiency, natural gas turbines installed at new BC Hydro generating facilities or developed through cogeneration opportunities with other power producers. For example, we've agreed to buy the energy output from a cogeneration plant being built on Vancouver Island near

Campbell River. Combined-cycle gas turbines offer excellent energy returns for low resource consumption rates and produce fewer greenhouse gases than other thermal resources. But that's only part of our future.

We're also adding low-impact alternative energy choices to meet ten per cent of new growth. Our "green" commitment is captured in a research and development program we call Energy Futures. We are open to all kinds of new possibilities, including the use of wind, solar energy and woodwaste.

And there's room to expand our capacity with existing resources. This year we completed a new power plant at our Stave Falls facility, which now serves 35 000 homes, and we are examining opportunities to add another turbine at our Seven Mile facility.

### Energy Balance Ten-Year Outlook for New Resources



## Growing the business

Our position as an integrated energy provider will be strengthened by adding combined-cycle natural gas turbines and ten per cent new "alternative" energy choices. But we still need to gain more clarity around growing the business as the industry undergoes rapid change.

Once we have gained that clarity, we will develop new measures that look at the incremental financial returns of various business ventures.

Impressive growth has occurred in power marketing and electricity trade over the past year. By expanding our trading opportunities within western North America, and using our reservoir system to buy electricity during low-cost periods and sell it during higher-priced periods, we're adding value to British Columbia.

"Strong" and "capable" are words we link to growth too. We know that a capable workforce makes us a strong company. That's why our newly-introduced Strategic Workforce Plan will address changing workforce needs. In these and other strategies, employee morale and safety are paramount. In fact, last year, we celebrated 1000 accident-free days at our largest gas plant, the Burrard Generating Station in Port Moody.

We also launched our Strategic Environmental Initiatives program which helps us build public support. Our goal is to see British Columbia and BC Hydro lead the development of new green energy solutions and environmental technologies that work in Canada. Receiving ongoing public support and providing responsible energy products are both critical to our future financial health.

We are a  
competitive  
commercial  
Crown  
corporation  
which creates  
superior value  
for our  
customers and  
shareholder  
through the  
exceptional  
contribution  
of our people.

# make

DONOHUE





it

## the power is yours

Our business is directly affected by how BC Hydro makes its power. We rely on Williston Reservoir, behind the Bennett Dam, to transport logs to our mills. As a forestry-dependent town, when the water level drops it impacts our company and our community. We've worked with BC Hydro in recent years to come up with a plan that identifies different water level scenarios, how they affect us, and what can be done to lessen any impacts. So we're in contact a lot, and that has helped tremendously, opening up the lines of communication between us.

Les Skaalid  
Manager, Business Development  
Donohue Forest Products Inc.  
Mackenzie, BC

# make it

## resources that make sense

### Energizing the Future

It's how we make electricity that gives us a natural competitive advantage.

Most of our energy comes from a renewable resource – water. By converting water into power, BC Hydro produces far less greenhouse gas (GHG) emissions than the average Canadian and US utility. Water is also the reason we can offer such low electricity rates.



Average GHG per  
gigawatt-hours emitted  
in 1998 (in tonnes)

Sources: BC Hydro,  
Environment Canada  
and US Department of Energy

To meet future energy demands, we will add new cost-effective resources that are low in social, economic and environmental impacts. Alternative or "green" sources of energy will be developed to meet ten per cent of growth. Employees are searching for low-impact energy resources, such as wind, solar and woodwaste, that fit British Columbia's natural surroundings. We will also meet growth by adding high-efficiency natural gas turbines to our energy mix.

But, we intend on keeping our status as a low-emissions power supplier.

To demonstrate our commitment, we recently purchased our first greenhouse gas offsets from a landfill gas utilization project. We will continue looking for new opportunities to purchase offsets throughout British Columbia and across Canada. We also lowered nitrogen oxide emissions from our largest natural gas plant, the Burrard Generating Station, by 90 per cent. The last of six Selective Catalytic Reduction systems is being installed at the plant this year.

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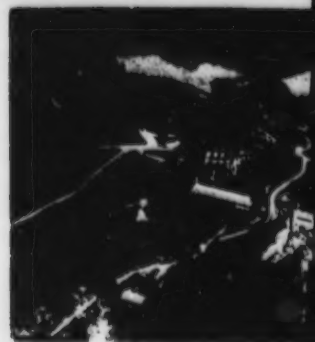
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## Serving 35 000 Homes Under Budget

We are also growing by acquiring additional energy from existing resources. We call it being Resource Smart. This year's highlight was the replacement of an 80-year-old power plant at one of our oldest dams – the Stave Falls facility. The plant now serves 35 000 homes.

Thanks to the creative work of the project team, costs to build the power plant were reduced by an impressive 21 per cent. Original cost estimates were \$184 million, but our team reduced costs by paying attention to the smallest details and by implementing common-sense solutions. Today, the power plant is equipped with the latest in computer-based, remote-controlled, technologies. And the new design is fish-friendlier.

Upgrades and efficiency improvements under the Resource Smart program provide cumulative energy gains of 1120 GW-h per year. That's enough energy to power every home in the city of Coquitlam and the town of Squamish for one year.

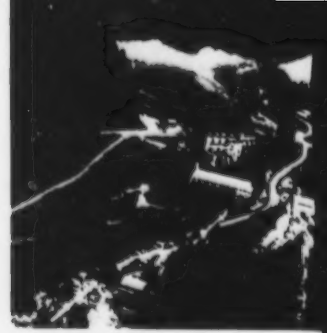
## facts about our generating capacity

BC Hydro	Total capacity (kW)
30 Hydroelectric facilities	9 991 800
3 Gas-powered facilities	1 047 500
12 Non-integrated (stationary and mobile diesels) facilities	76 134

### Independent Power Producers (IPPs)

17 Integrated IPPs	291 000
4 Non-integrated IPPs	74 000





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# our commitment to the environment is built into our bottom line

## Feeling Regenerated

In the mid 1990s the energy industry began to change its shape. And so did we.

Our biggest shift was to improve how we manage our power generation assets, which led to changes in maintenance scheduling practices to better reflect market needs. We introduced new software and information systems and made changes in how we plan our daily work.

For example, we've installed combined instrumentation and software systems that process and relay important operational information to employees across the company. And we made sure that commercially-focussed information, such as plant capabilities and resource limitations, is being cross-communicated between employees in operations and employees in marketing.

To optimize, but not strain, our power resources, we also introduced a centralized data repository that displays valuable near-real-time information about our operating constraints and generating plant characteristics.

## Making it Safe

Last winter's extraordinary snowpacks placed excessive strain on one of our dams, the Aberfeldie, in southeastern British Columbia. During a winter safety check, we noticed that silt was accumulating behind the dam, and could possibly make it unstable.

When water levels began to rise, we took immediate action by initiating 24-hour surveillance at the dam site. Protecting the downstream residents of Bull River was our top priority. Updates and safety issues were circulated throughout the community. Regular discussions were also held with community members. Following the spring freshet, anchors were installed at the dam site to provide support for the additional silt.

And Bull River residents know that we take their safety seriously.

## Water for Fish, Power and People

People's safety is not the only thing we take seriously. Our commitment to the environment is built into our bottom line, accounting for social, economic and environmental values – a triple bottom line.

Our water use planning initiative demonstrates what a triple bottom line looks like. The initiative involves local communities, industry, First Nations and government agencies to redefine operating parameters for each hydroelectric facility. The goal of water use planning is threefold: to re-examine our operations under provincial water licenses; to create more certainty around operations; and to seek balance in the way we make electricity by considering economic, social and environmental needs.

We know from past experiences that our public "consent to operate" is tightly linked with our ability to deliver focussed and informative public consultations that produce many winners.

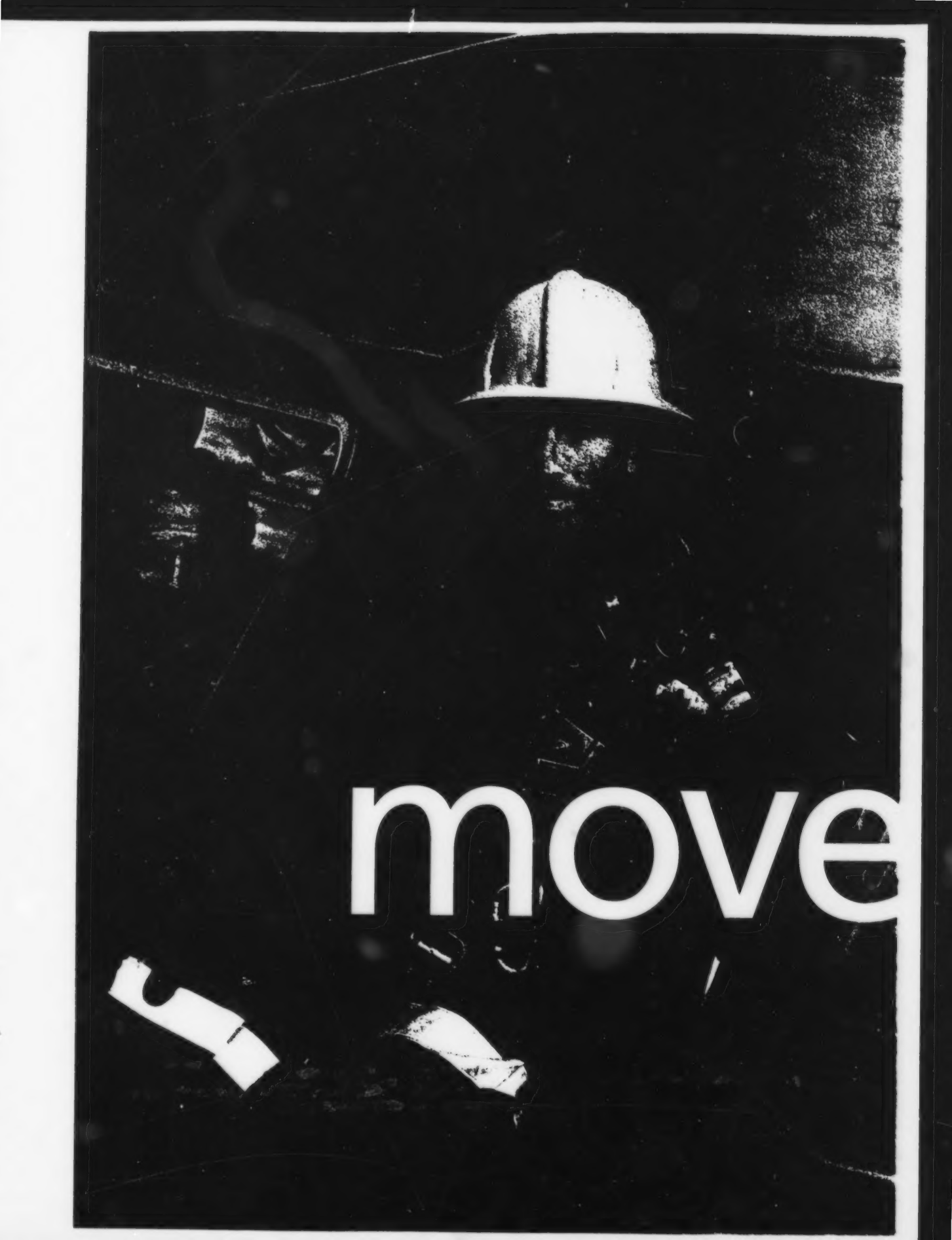
Seeking balance has its rewards. After completing the first phase of intense consultations at our Stave River facility, we gained new generating opportunities on the river. The Stave Falls Water Use Plan is the second of many that will be submitted to the provincial government over the next five years. Water Use Plans have also been initiated for Bridge River/Seton, Shuswap, Cheakamus and Coquitlam River facilities, and on Vancouver Island for the Campbell and Jordan River facilities.

Water is also a resource that many people enjoy. In fact, last year a total of 1.3 million people visited our 17 recreation sites and took advantage of the many facilities we provide across the province.

To improve their recreational pleasure, we constructed new hiking trails along the Puntledge River on Vancouver Island, in partnership with Forest Renewal BC. We also have new campground facilities and a better boat launch at the Buckley Recreation area on the Pend d'Oreille Reservoir near Trail in southeastern British Columbia.

1.3 million  
people visited  
our recreation  
sites last year





move

it

## reliable and ready

We often have to go to great lengths to keep the lines working. It's not always easy – our lines travel not only across land, but under it too. They even run underwater in some places. Sometimes, we have to travel by boat or helicopter to get to remote communities in the north, where there's some pretty rough terrain. But that's part of the job – being ready and able to go anywhere, at any time, to keep the power moving. You never know when a storm's going to hit.

Tony Brand and Greg Polok  
power line technicians  
BC Hydro

# move it

## a customer-driven evolution

### Network Intelligence

Moving electricity across four mountain ranges can be challenging. But we still find ways to reduce costs and maintain our excellent reliability rating.

We've reduced some of our costs by concentrating more resources on critical delivery components, and placing fewer on non-critical components. As it is, BC Hydro already falls within the top 25 per cent in the cost and service performance of its power delivery system, and that's compared to other electrical utilities across North America. Our commitment to remain a low-cost energy provider is alive and well.

What's also important is how much of the time we keep the power on. This past year, it stayed on an average of 99.97 per cent of the time. That percentage is back to normal after line crews battled high snowfalls and extreme winter weather in 1999.

And when the power does go out, we have found new ways to reduce outage times, thanks to our new PowerOn™ system. The system predicts and informs which transformer or other electrical devices have faulted in the area, helping us respond to outages faster.

### Built for Customers

Part of our customer service approach is to be a leader in technical innovation. Our customers in downtown Vancouver unknowingly benefited from a brand new monitoring technique that we installed on cable circuits serving the core area. Fibre optic monitors now read critical temperatures along three underground circuits and, thanks to the new technology, a potentially large outage was averted.

Customers living on Newcastle and Protection Islands are also receiving more reliable energy, now that a new submarine cable serves the two islands. We worked with DFO to employ "light footprint" measures, like using hand tools to minimize the cable's trench size and lower the amount of sediments being released into surrounding waters.

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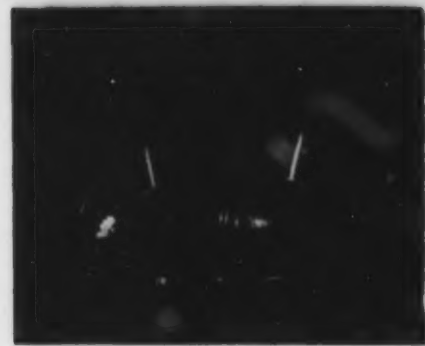
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We rigorously meet our non-domestic business obligations as well. This includes the requirements of other power producers who trade electricity within British Columbia or who purchase wholesale transmission services from BC Hydro to move electricity. It also includes our commitment to meet the reliability standards we jointly set as members of the Western Systems Coordinating Council.

Our wholesale transmission services have rapidly evolved over the past several years, with point-to-point wheeling revenues tripling in 2000 from 1997 totals. A project was recently implemented to develop new business processes and improve the power delivery infrastructure to accommodate growth in the wholesale business.

Also, to maintain our reliability ratings, we are switching some of our analog microwave communication systems to digitally-based formats. The microwave systems, which are used for protection and control purposes on high-voltage transmission lines, additionally support BC Hydro's internal telecommunications and data systems.

## High-Tech-Friendlier Electricity

BC Hydro is one of the first utilities to demonstrate a brand new power-quality improvement system.

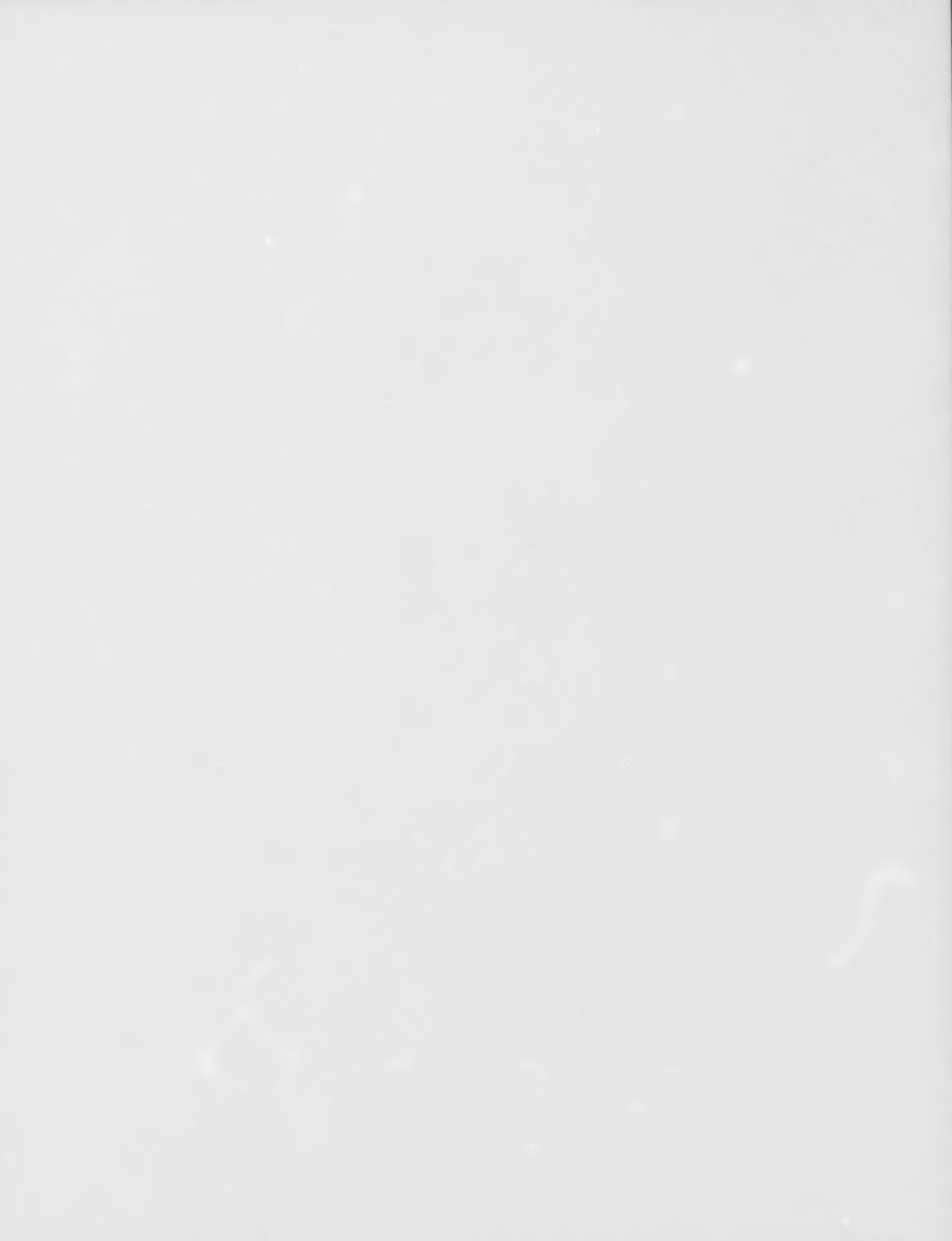
The pole-mounted dynamic voltage restorer corrects voltage disturbances on the distribution system to limit negative impacts on computer loads and precision manufacturing processes. This means we can provide cleaner electricity to a growing number of businesses and industrial customers using high-tech, energy-smart and energy-sensitive equipment.

Ask our customers at the Northern Lights College in Dawson Creek how the new system is working. Shortly after its installation, a lightning arrester on an adjacent circuit failed, causing a 50 per cent drop in voltage, but we still maintained 100 per cent voltage quality.

# facts about transmission & distribution

## Power delivery assets

- 17 800 kilometres of transmission lines
- 56 800 kilometres of overhead and underground primary distribution lines
- 287 switching, distribution and capacitor stations
- 1 system and 4 area control centres to operate transmission, distribution and generation system
- 244 microwave and repeater communication sites





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# providing cleaner energy using high-tech solutions

## Safety Matters

Electricity at any voltage can be dangerous, so safety is paramount in all aspects of our business.

We had some significant highlights in safety this year: BC Hydro was presented the prestigious North American Occupational Safety and Health Week award for our efforts to raise awareness about workplace safety; and we completed the field portion of a company-wide safety management systems audit.

We're also making power lines safer for birds by testing a new silicone-based insulation material developed by 3M Canada. To reduce bird fatalities and power outages, the insulation is installed on selected distribution equipment in the Lower Mainland.

## Moving it with Meaning

We've even broadened our approach to moving electricity by tripling our bottom line. This means we factor economic, social and environmental decisions into grid service and operational decisions.

For example, to further reduce greenhouse gases being released from our system, we just finished testing an Electric Power Research Institute-supported technology known as GasVue. This laser-based camera system detects pinhole and larger leaks of sulfur hexafluoride ( $\text{SF}_6$ ), a known greenhouse gas.  $\text{SF}_6$  is also expensive to replace, so any loss of the gas from our electrical equipment impacts our bottom line.

We're also using new technology to better document and understand the natural characteristics of transmission corridors. A new geographic information system (GIS) will house critical data on land and wildlife characteristics and support the development of environmentally responsible methods to manage vegetation along transmission corridors. GIS is another tool to support triple bottom line decisions.

Along a transmission corridor in Surrey, east of Vancouver, we planted clover and grass to improve the habitat conditions for the barn owl and the Townsend's vole – a small indigenous rodent. The barn owl is currently on Canada's 1999 "Wildlife at Risk" list.

We're also supporting the development of a potential \$200 million industry to harvest natural products along transmission corridors including edible wild mushrooms, floral and greenery products, medicinal and pharmaceutical products, wild berries and fruit. These natural products will be developed based upon their economic and environmental suitability.



*Alanna Simmons and Rae-Ann White of BC Hydro's Aboriginal Internship Program are standing in front of carved yellow cedar doors located in BC Hydro's Customer Service Centre. The doors are named "Seven Generations", meaning that a decision made today must positively affect the next seven generations. The artist and carver is X̱wa-lack-tun of the Squamish Nation.*



## aboriginal partnerships

Over 2000 kilometres of BC Hydro-operated transmission lines are located on lands owned by First Nations. Keeping positive working relationships with Aboriginal communities are therefore critical to the way we make and move electricity.

As a hydroelectric producer, we also share a common interest with First Nations in the use of waterways. When we established guidelines for our water use planning initiative, which reviews BC Hydro's provincial water licenses, we ensured that the BC Aboriginal Fisheries Commission was a partner in the process. A key outcome of this partnership is the continued involvement of individual First Nations in the implementation of the program, including the development of Water Use Plans for each hydroelectric facility.

In addition, we recognize the distinct legal and historical status of the Aboriginal population in British Columbia. Our involvement in signing the *McLeod Lake Treaty no. 8 Adhesion and Settlement Agreement* is one example of that recognition. While it's only a first step, this milestone agreement defines the nature and extent of our mutual interests.

Solid relationships are not only built on mutual trust and demonstrated action, but also on active listening. We commissioned a survey this year to ask First Nations leaders their opinions of how we are doing in building positive working relationships.

While two-thirds felt that we have improved over the past ten years, more work needs to be done in the areas of communications and consultations, employment and education opportunities, recognition of aboriginal values, and culture and customer services.

One of the steps we've taken to address First Nations' concerns was to initiate the Aboriginal Internship Program, which increases representation of Aboriginal people in management positions at BC Hydro. To date, three interns have been hired.

Aboriginal businesses are also important partners, suppliers, contractors and customers to BC Hydro. We started a program to assist Aboriginal people with building stronger businesses. In addition, contract opportunities for Aboriginal- and Band-owned businesses have grown for a third consecutive year, with a 12 per cent increase in dollars spent for products and services over fiscal 99/00 at BC Hydro.

We're also supporting a unique business initiative along transmission corridors to help develop non-timber forest products. One Aboriginal business is already harvesting western red cedar leaf along the corridors to produce an essential oil that is used as a preservative and bonding agent in various fragrances and pharmaceutical preparations.



sell

## value where it counts

We needed to get a better handle on our utility bills. With our 1200 locations, we weren't confident that we were managing our utility expenditures as efficiently as we could. Our BC Hydro key account manager hooked us up with their Smart Bill service, which centralizes all our utility information in one easy-to-use database and makes analysis much easier.

Now we can focus on more effectively managing our expenditures and looking for opportunities for savings. BC Hydro is selling more than electricity – they're selling solutions and expertise.

it

Donna O'Neill  
Vice-President  
Supply and Administrative Services  
Telus

# sell it

## paying more attention

### Value Where it Counts

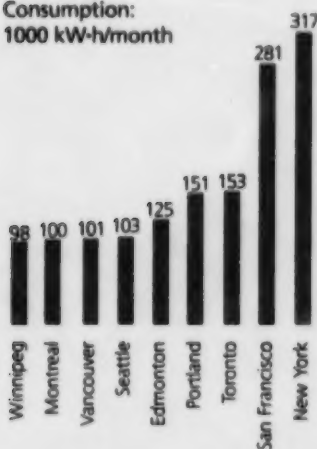
BC Hydro provides among the lowest electricity rates in North America. In fact, some studies show that our rates, on average, are the third lowest in Canada and the United States. That gives us more time to focus on customer needs.

By paying more attention, we discovered that customers wanted more convenient telephone and billing services, so we opened four integrated call centres, expanded our hours and days of operation and provided a variety of new bill payment options.

We also discovered that customers required better power outage information and better call response times, so we introduced 1-888-POWERON. By calling the toll-free number, customers living in the Lower Mainland can find out when their lights are coming back on and why the outage occurred.

### Comparative index of electricity prices, residential customers

Consumption:  
1000 kW-h/month



Hydro-Québec = 100  
Monthly billings (excluding all taxes)  
Rates in effect May 1, 1999

Source: Hydro-Québec: Comparison of Electricity Prices in Major North American Cities.

The PowerOn system is a success. During one storm last winter, the new system handled over 90 per cent of trouble calls, providing customers with more detailed information than before. With that track record, we will be expanding PowerOn province-wide.

### More Ways to Sell it

Turning the power off when it is not needed places less pressure on energy resources and the delivery network. It saves customers money too. That's why we breathed new life into the concept of energy conservation by strengthening our Power Smart brand.

In fact, we collected ten years of Power Smart ideas and built them into our latest suite of products and services to help business customers optimize their capital returns, enhance productivity and improve their quality of performance. First, we carefully analyze each business's energy needs, then we recommend a wide range of Power Smart products and services backed by a century of electrical expertise.

That's how we saved the Department of National Defense (DND) \$5 million. Instead of DND replacing an aging substation at one of their military bases, we entered into a business arrangement for them to access a local under-utilized substation. Satisfied with that solution, DND asked us to upgrade their distribution network at the base.

We did that too. Then they asked for the latest in Power Smart products, so we're helping them install state-of-the-art meters that track and monitor utility usage at base facilities.

We also diagnose power quality problems to identify possible costly power interruptions and we provide products and services that increase energy efficiencies in buildings. Additionally, we offer load analyses and power factor correction services.

## Online and Ready

Another part of our business we take seriously is our presence on the Internet. It's a perfect vehicle for educating the public about electricity, how to save it and the environmental impacts of producing electricity. We also share important information about the many economic, social and environmental investments we make in British Columbia each year.

With a renewed emphasis on saving energy, our web site now features Kathy Smith, BC Hydro's Power Smart "guru". Kathy provides tips for improving home comfort and how residents can cut costs on their BC Hydro bill. Our next step is to offer online self-audits for homeowners who want to improve their energy use and save money.

We're also offering more extensive AccountOnline services. Customers can access detailed account information, including their billing history, and advanced online power-outage information to identify scheduled outages in their area.

Another new online service we're offering is Smart Bill. This highly touted utility-management tool helps businesses manage their collection of utility bills all in one place. Smart Bill checks for billing errors, compares a business's regional monthly and annual utility expenses and provides energy-efficiency benchmarks for business customers.

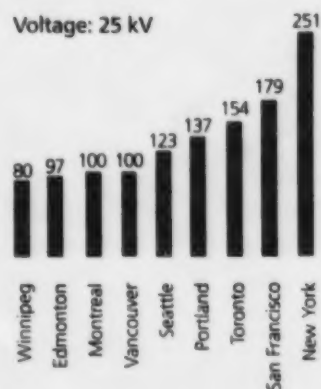
We're also growing our e-business capabilities to streamline business processes on the operations side of the company, and are keeping pace with new growth opportunities in Internet-based products and services.

## Comparative index of electricity prices, large power customers (5000 kW and over)

Consumption:  
3 060 000 kW-h/month

Power: 5000 kW

Voltage: 25 kV



Hydro-Québec = 100  
Monthly billings (excluding all taxes)  
Rates in effect May 1, 1999

Source: Hydro-Québec: Comparison of Electricity Prices in Major North American Cities.



use

it

## save energy, save money

It's hard to tell just by looking at it, but our home has built-in features that use less electricity and keep our house nice and comfortable. We have Power Smart windows and patio doors that keep the heat in, so it's warm in the winter without turning up the thermostat. We also have special plumbing fixtures that save both water and energy, and our house is nice and bright with energy-efficient lighting. Living in a Power Smart home is important to us because we are teaching our kids to be smart about the environment by using energy wisely.

Mamerto, Estela and Eloiza Gelera  
Power Smart homeowners  
Surrey, BC



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## new ways to use energy

### How Do You Use It?

Our customers place their orders by flicking a switch, pushing a power button or plugging something in. We are paying more attention to how people use that energy.

In fact, a group of 500 commercial businesses is testing our new Time of Use product. By shifting their production to lower-cost off-peak energy hours, they can save money and exercise more control over their electricity costs. It also helps BC Hydro optimize its production.

For large industrial customers, we offer Price Dispatched Curtailment, a product that provides a financial incentive for companies to reduce their energy use during high market demand periods. The benefits of participating in these one-time events are shared between the customer and BC Hydro.

And who would ever think of using energy to improve the workplace? Miller Western, operators of Louisiana Pacific's Chetwynd Pulp Mill, did. They wanted to send a strong message to employees about their commitment to create a more productive and rewarding work environment at the Chetwynd mill. That is what led them to BC Hydro. They asked us to find quality lighting solutions to create a naturally lit and attractive work environment. We changed close to 80 per cent of the plant's lighting, and according to employees, the new work environment is more functional and enjoyable.

## facts about electricity use

### Who uses our electricity?

1.58 million customers

175 000 businesses in the integrated area

8000 customers in non-integrated areas

# use it

## new ways to use energy

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## facts about electricity use

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1.58 million customers

175 000 businesses in the integrated area

8000 customers in non-integrated areas

## Bigger, Better, Power Smarter

Our Power Smart program adds up to cumulative energy savings of 2350 million kilowatt hours (kW-h) each year. That's a lot of savings when you consider that a 100-watt light bulb burning for ten hours uses one kW-h of electricity.

We want those energy savings to rise. So we are working on North America's first Power Smart high-tech business park with Schroeder Properties of Vancouver. They are developing an 18-acre park on the eastern edge of downtown Vancouver and False Creek. We're providing comprehensive energy solutions including dedicated power supply feeders, an Uninterruptible Power Supply (UPS) system, quality lighting energy solutions and much more.

Each building will be designed using our Building Design program to maximize energy efficiencies.

We also take a comprehensive approach to suggesting Power Smart home improvements.

We consider all parts of a home's heat loss and air-exchange system to make the best energy-saving renovations. It's not just about saving energy, but also about creating more comfortable homes by reducing cold drafts and noise levels, improving the physical warmth and making homes healthier and safer.

## Using it Cautiously

No matter how you use electricity, safety is a top priority for the public and for us. Because of that,

2500 more first responders (police, ambulance and firefighters), 2219 construction workers and 47 445 more grades four and five students know about electrical hazards this year.

We also provide business customers with safety training under our Power Partnerships products and services. For example, we offer a program that helps employees identify potential electrical hazards in confined spaces, and another program that passes on emergency preparedness tips to keep businesses prepared for natural disasters and other emergencies.

we're providing  
comprehensive  
energy solutions



## Investments Worth Making

# facts about profits for the province

For the year ended March 31, 2000, BC Hydro paid a total of \$790 million to provincial and municipal governments. These payments included:

**\$276 million to the province for water rentals (charges for water used in hydroelectric generation)**

**\$34 million in corporate capital taxes**

## Investments Worth Making

The revenues we generate each year are reinvested back into British Columbia. Whether introducing young people to the theatre, funding local environmental programs or paying an annual dividend to the province, our goal is to contribute to the social and economic well-being of the province.

Even our employees get involved in giving back. Last year's major accomplishment was the funds they provided through HYDRECS to help fund a new mobile CT scan at the VGH and UBC Hospital Foundation. The new equipment enhances the accuracy and outcome of brain, tumor and blood clot surgery.

In total, HYDRECS provided \$790,000 to registered health and social services charities throughout the province this past year. To support these tremendous efforts, BC Hydro made a contribution of \$95,040 to the employee-based fund.

Employees also roll up their sleeves and pitch in as volunteers. In northern British Columbia, for example, some of our employees introduced disabled people to fishing under the BC Wildlife Federation's "Fishing Forever" program. This gave the individuals a unique opportunity to experience nature in a new way.

In addition, last year our corporate and regional donations contributed a total of \$1.5 million to over 500 initiatives. We rely on the input of local communities to identify projects that fall within, or crossover, four key funding areas: Aboriginal, arts and culture, education and the environment. Many of these initiatives are education-related, such as the Artists for Kids Trust, an arts program in North Vancouver, and the Math Counts contest, where students sharpen their problem-solving skills in a friendly competition.

BC Hydro also made an important corporate contribution of \$260,000 to support health and social services through United Way Campaigns. Two of our employees, plus a "Power Pioneer" from our retired employee organization, were representatives in the United Way Lower Mainland campaigns.

All of these efforts did not go unnoticed. BC Hydro was given the United Way's "Thanks a Million" recognition in 1999, which is awarded to organizations and employees who gave more than \$1 million throughout the year.

## facts about profits for the province

For the year ended March 31, 2000, BC Hydro paid a total of \$790 million to provincial and municipal governments. These payments included:

\$343 million to the province in the form of a dividend

\$276 million to the province for water rentals (charges for water used in hydroelectric generation)

\$137 million shared between the province, municipalities and regional districts for school taxes and grants in lieu of general taxes on BC Hydro facilities

\$34 million in corporate capital taxes

## Investing in Our Environment

Operating a hydroelectric system and delivering power to customers affects the environment. To balance some of these impacts, we invest in a diverse range of programs and projects that enhance fish and wildlife habitat and minimize BC Hydro's footprint on the natural environment.

Under our new Bridge/Coastal Restoration Fund, for example, we made an important \$250,000 investment in a landmark rehabilitation project taking place at the Campbell River Estuary. The funds are going towards the purchase of 46.7 acres of critical estuary lands that support up to 50 per cent of essential juvenile salmon habitat in the river. Last year, our investments in similar fish and wildlife programs totalled \$17 million.

Seeking balance is also about making business decisions that account for social, economic and environmental values. Our yearly Triple Bottom Line (TBL) report is a demonstration of the various investments we make in British Columbia, including our fiscal accomplishments. Our 2000 TBL report will follow a global reporting framework that will allow us to measure our performance against other TBL companies.

We also like to create unique conservation and education projects, such as the new salmon stream we are building in Stanley Park. The stream will end at the aquarium and will provide urban youth with the chance to understand how salmon behave in the natural environment.

Another unique education project we helped to fund was Simms Millennium Park in Courtenay, BC. The park will feature salmon-enhancement projects, nature lookouts and educational exhibits about the local natural environment. BC Hydro employees, with local school children, commemorated the park by releasing salmon fry into the adjacent Comox River.



Supporting grass roots and local environmental projects is also important to BC Hydro. For example, we provided funding to the RiverWatch group from Port Coquitlam and the city of Coquitlam to raise local awareness about issues affecting the Coquitlam River. Our community relations employees later joined the RiverWatch group to develop and launch the Coquitlam/Buntzen Water Use Plan.



the power is yours

BC HYDRO

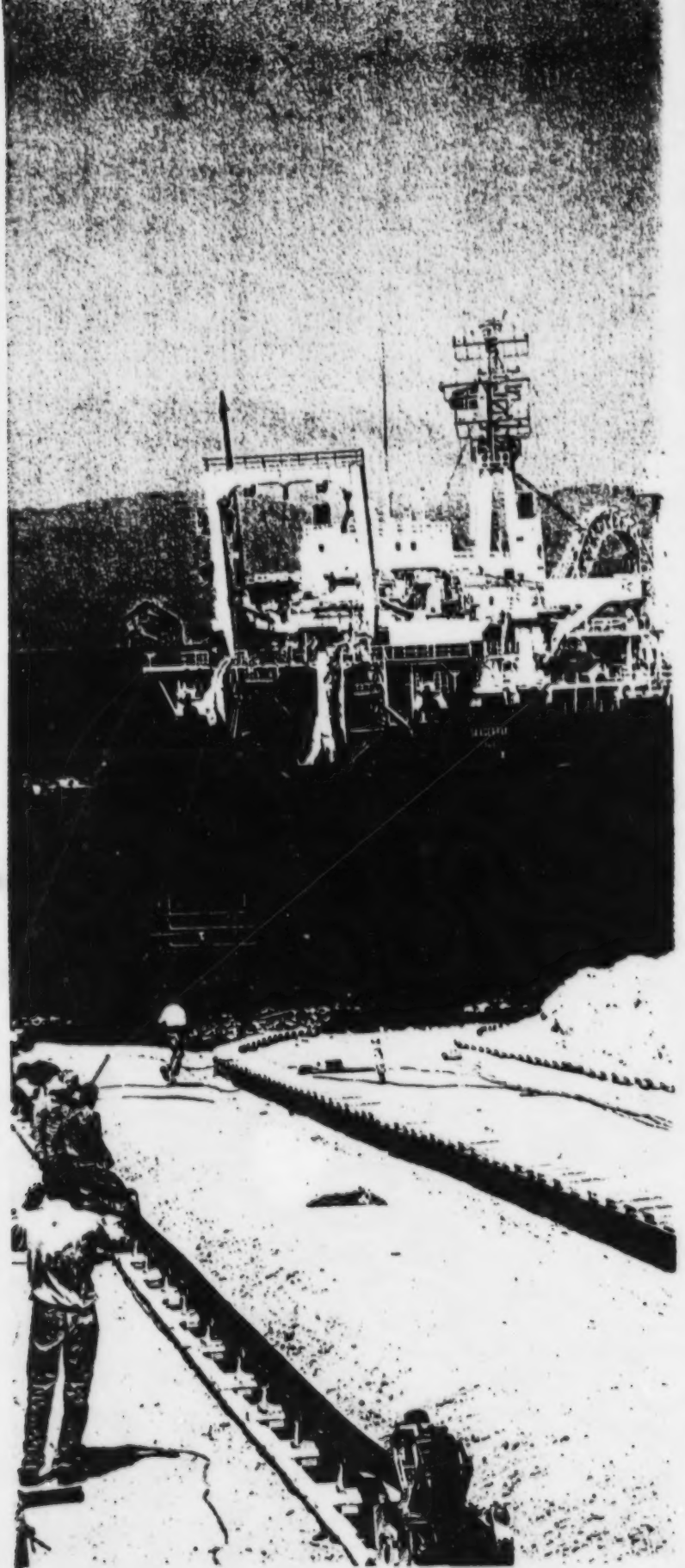
# subsidiaries

BC Hydro International Ltd.

Powerex

Powertech Labs Inc.

Westech Information Systems Inc.



# BC Hydro International Ltd.

BC Hydro International Limited (BCHIL) offers its clients a unique blend of knowledge in the hydroelectricity industry and expertise in international consulting. The result is an international firm that can draw on the "know-how" of a world-class electrical utility – BC Hydro.

In fact, BCHIL is using BC Hydro's expertise in the areas of demand-side management, automated dam monitoring and emergency warning and asset management to develop three highly focussed business centres that augment BCHIL's well-known reputation in engineering services.

For example, BCHIL is providing submarine engineering services to Raytheon Engineers and Constructors of Bellevue, Washington for the installation of a new five-kilometre submarine cable crossing at Taku Inlet. The cables will reinforce an existing 25-year-old connection to Juneau, Alaska. In addition, BCHIL is providing engineering services for high-voltage submarine cables between Egypt and Jordan, and have been involved with the project since the early 1990s.

The company is also utilizing its expertise to develop plant modernization guidelines for the California-based Electric Power Research Institute.

In Asia, BCHIL successfully completed a comprehensive dam safety training program for the Central Water Commission of India, and completed a number of projects in Nepal that focussed on dam monitoring and warning systems.

BCHIL is also introducing BC Hydro's highly successful Power Smart program to Brazil through a \$2 million Canadian International Development Agency contract. Work on this country-wide program is almost complete and a similar program is now underway in Malaysia.

BCHIL continues to market other BC Hydro expertise world-wide, including the utility's accomplishments in system reliability and industry innovation.



# powerex

The 1999/2000 fiscal year was one of exceptional growth and financial success for Powerex, BC Hydro's power marketing subsidiary. Total electricity trade sales for the year ended March 31 reached a record \$1.1 billion.

This success was the result of strategic trading decisions by Powerex's trade team, strong market prices and BC Hydro's optimization of its generating resources. Powerex's growth in sales can also be attributed to increased activities in traditional markets in Alberta and the western US, and strategic transmission purchases that give Powerex greater access to the California market.

Powerex continued to expand its portfolio of resources for trade by increasing purchases of lower-priced energy from other utilities, power pools and marketers to enable sales in higher-priced periods. This is in addition to the company's longer-term purchases, which include the Canadian Entitlement power from the Columbia River Treaty. Together, Powerex's purchases totalled 19 895 GWh in 2000, representing 85 per cent of the total energy Powerex sold.

Full implementation of a new energy trade and risk management system further enhanced Powerex's trading, scheduling and risk management capabilities. The system integrates front- to back-office functionality, enabling Powerex to make strategic trading decisions more quickly and efficiently.

Powerex again received exceptional results in its annual customer survey. In December, Powerex customers were surveyed on 18 service factors ranging from prompt, accurate response to calls, to how well Powerex staff understands the product and service requirements of a customer's business. On a ten-point scale, Powerex customers gave the subsidiary an average performance rating of 8.5, and 80 per cent of customers rated Powerex's customer service as better or much better than other energy service providers – among the highest scores for this comparison the research firm has seen.

Powerex continues to expand its existing business while pursuing new opportunities to maximize the value of BC Hydro's electric system for the province and for the people of British Columbia.



# powertech labs inc.

Powertech Labs is achieving international recognition for its high-tech approach to problem-solving within the electric utility industry. The subsidiary is also an important part of BC Hydro's ongoing research and development activities in energy systems and operations.

For example, load tap changers (LTCs) are a major cause of equipment failures, but Powertech scientists have developed a set of practical non-invasive diagnostic techniques to detect problems within LTCs. These new techniques were put to the test when a previously undetected problem was identified in a BC Hydro transformer, thereby avoiding serious damage to the unit.

And to reduce the risk of expensive and unexpected underground power cable failures, Powertech's engineers pioneered a range of tests that will help clients decide when a cable is nearing the end of its service life.

The subsidiary is also making a significant contribution to BC Hydro's Dam Safety program, which is one of the most dynamic and advanced in the world. To improve the program even further, Powertech is developing a project to monitor internal water seepage through earth dams so that abnormal changes can be identified quickly.

Powertech is also playing an important role in developing new "smart" gas storage cylinders, which includes conducting cylinder testing, evaluating cylinder designs and developing international standards for compressed gas fuels. This development will help support vehicle manufacturers who are looking for ways to reduce harmful emissions.

And Powertech was instrumental in establishing an international consortium of seven Canadian and US utilities to collectively fund the development of a unique computer software tool to manage electric power systems more effectively. This project will help the utilities reduce their risk of blackouts and other system instabilities. And by sharing software development costs all companies involved save money in research and development costs.





# westech information systems inc.

With a highly skilled and energetic staff, Westech offers a complete range of services from data warehousing and e-business solutions to customized geospatial information systems (GIS). The company's success is demonstrated by its continually expanding client base.

In fact, Westech welcomed over 75 new employees last year. The company now employs more than 280 experienced and dedicated professionals who provide innovative, reliable and cost-effective information technology solutions to clients across North America.

A visionary in the GIS field, Westech is playing a key role in developing BC Hydro's PowerOn Outage Management System.

The company is also developing a new enterprise-wide GIS for BC Hydro. The system will include the Distribution Analysis and Design application and the PowerGRID suite of transmission, generation and properties applications. Smallworld Systems will market this suite internationally under the product name of eGRID™. In addition, Westech continues to provide GIS resources to other customers including BC Gas and Enbridge Consumers Gas in Ontario.

And new e-business opportunities allow Westech to display its proficiency in this emerging market segment. Its new e-business solutions group successfully delivered innovative, web-based applications to attract new clients, including a local e-commerce venture company.

Westech also provides expertise in data warehouse technologies to help clients such as Fisheries and Oceans, BC Gas and BC Hydro meet their increasing need for strategic business information. By employing Westech's technologies, these organizations are better able to interpret information about customers, markets, service sectors and profitability.



management

BC HYDRO

and analysis

# results of operations

## highlights

	2000	
Net income	\$ 416	\$ 395
Revenues	\$ 3,457	\$ 3,017
Capital and deferred expenditures	\$ 406	\$ 392
Capital assets	\$ 9,320	\$ 9,236
Net long-term debt	\$ 7,005	\$ 7,491
Return on equity	16.69%	17.43%
Allowed return on equity	16.69%	17.47%
Debt to equity	74:26	77:23
Number of customers	1 580 110	1 558 294
Rate increase	0%	0%

BC Hydro's net income for the year ended March 31, 2000 of \$416 million was \$21 million higher than in 1999. The increase in net income was primarily due to an increase in both electricity trade and domestic revenues together with a decrease in finance charges. These favourable factors were partially offset by an increase in energy costs, higher operations, maintenance and administration expenses and a transfer into the Rate Stabilization Account.

On February 3, 2000, the provincial government announced that, along with the extension of the rate freeze to September 30, 2001, a Rate Stabilization Account (RSA) was also being reinstated. The RSA will help protect BC Hydro's customers from future rate increases. In years when BC Hydro's actual return on equity is in excess of that allowed by the British Columbia Utilities Commission (the Commission), a transfer is made from income into the RSA. In lower income years when BC Hydro's return on equity is below that allowed, a transfer is made from the RSA, if there is a balance, to offset any rate increase that may be needed to allow BC Hydro to earn its allowed return on equity. In fiscal 2000, \$129 million was transferred into the RSA.

The record pace of electricity trade sales in fiscal 2000 was fueled by a strong market, strategic trading decisions and the continued effective management of BC Hydro's storage and generation capabilities. An increase in the level of surplus energy available for sale, primarily as a result of the high level of water inflows into BC Hydro reservoirs this year, also contributed to the increase in electricity trade revenues.

The high level of water inflows also allowed for an increase in low-cost hydro generation in place of higher-priced energy purchases to meet demand. This helped to partly offset the increase in energy costs resulting from the increase in electricity trade activities.

An increase in revenues from residential customers, largely as a result of an increase in energy consumption due to colder weather conditions in fiscal 2000, was the primary reason for the increase in domestic revenues.

Lower short-term interest rates and the effective use of debt management strategies were the primary reasons for the decrease in finance charges. Operations, maintenance and administration (OMA) expenses increased largely due to an increase in post retirement benefit costs resulting from an actuarial valuation of BC Hydro's pension plan and to a provision for the environmental remediation of one of the company's properties that housed a gasification plant in the early 1900s. The remediation of this property is scheduled to take place later in the year 2000, or in 2001.

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## revenues

### Residential

Residential revenues of \$894 million were \$39 million, or five per cent, higher than in the previous year. Weather conditions averaged 11 per cent colder than last year, increasing energy consumption and corresponding revenues by approximately \$27 million. The addition of over 18 000 residential customers since March 31, 1999 also contributed to the increase in revenues.

### Light industrial and commercial

Light industrial and commercial revenues of \$851 million were \$13 million higher than for the same period last year. Most of the increase resulted from customer growth mainly in the service sectors. A total of 3156 new customers were added over the last twelve months.

### Large industrial

Large industrial revenues of \$480 million decreased \$8 million compared with the same period in the previous year. The decrease was primarily due to the temporary shut-down of a customer in the mining sector for part of the year.

### Electricity trade

BC Hydro's electricity trade system is interconnected with systems in Alberta and the western United States. This interconnection facilitates sales and purchases of electricity outside British Columbia. Electricity trade transactions are carried out by Powerex, a wholly owned subsidiary of BC Hydro.

Electricity trade revenues were \$1,129 million, an increase of \$390 million from 1999. Corresponding sales volumes increased by 4695 GW-h, or 25 per cent, to 23 410 GW-h, while average sales prices also increased 25 per cent from \$39.5 per MW-h in 1999 to \$47.2 per MW-h this year. Electricity purchases supplied 85 per cent of electricity trade sales while, 15 per cent of sales were supplied from BC Hydro resources not required to meet domestic demand.

The effective management of BC Hydro's storage and generation capabilities, combined with strategic trading decisions and a strong market, enabled Powerex to take advantage of export and import market opportunities. To maximize the return earned on the surplus capability of BC Hydro's integrated hydroelectric system, Powerex buys and sells energy with a wide range of trade partners in Canada and the United States. Powerex ensures that both energy and US transmission resources are available to take advantage of the high-priced sales opportunities in the electricity trade market. These high-priced sales opportunities arise due to changes in demand resulting from factors such as weather conditions in the Pacific Northwest and California, and to changes in supply resulting from factors such as the unscheduled maintenance shutdowns of generation facilities in Alberta and the western United States.

An increase in the level of water inflows into BC Hydro's reservoirs this year also contributed to the increase in electricity trade sales. Higher levels of water inflows can create surplus energy not required to meet domestic demand. The sale of surplus energy increased by approximately 1150 GW-h to 3515 GW-h in fiscal 2000.

## energy costs

	2000		2000		2000	
	(MILLIONS OF DOLLARS)		(GIGAWATT-HOURS)		(CENTS PER KW-H)	
Hydro	\$ 276	\$ 267	49 985	47 317	.55	.56
IPP purchases	109	105	2 024	1 839	5.40	5.69
Other energy purchases	774	542	21 188	17 216	3.65	3.15
Natural gas	56	72	1 654	3 177	3.39	2.28
Non-integrated	11	19	94	228	11.91	8.11
Transmission charges and other expenses	129	70				
Total	\$ 1,355	\$ 1,075	74 945	69 777	1.81	1.54

Energy costs, domestic demand and electricity trade activities are managed using a portfolio approach. BC Hydro has sufficient committed resources to meet its domestic demand but may choose to purchase energy in the electricity trade market from time to time to meet this demand if it is economic to do so. BC Hydro uses sophisticated techniques to determine when it is economic to purchase energy in the electricity trade market in place of using its hydro or thermal generating facilities to meet domestic demand. These techniques are also used to determine when it is economic to generate energy for sale in the export market. These techniques take into consideration variables such as the market price of energy, water inflows, reservoir levels and demand.

Energy costs increased \$280 million, or 26 per cent, from the same period last year. The higher costs were primarily due to increases in both the volume and price of energy purchases. An increase in electricity trade transmission costs also contributed to the increase in energy costs.

Energy purchases increased significantly from the prior year largely as a result of opportunities to resell at higher prices on the electricity trade market. Electricity trade transmission costs also increased due to the higher volume of electricity trade transactions and to the transmitting of energy over longer distances, such as into the California market. Sales into the California market represented 25 per cent of total electricity trade sales this year, compared to only ten per cent in the prior year.

The greater use of hydro generation to meet demand partly mitigated the increase in energy costs. The level of low-cost hydro generation has a significant impact on energy costs as the unit cost of hydro generation is substantially less than the unit cost of energy purchases. A significant increase in water inflows into BC Hydro's reservoirs this year, due largely to the extremely high snowpack levels last winter, allowed BC Hydro to increase the use of low-cost hydro generation in place of higher-priced energy purchases. Water inflows were 113 per cent of average this year compared to 90 per cent of average last year.

Natural gas purchases, used primarily for the operation of the Burrard Generating Station, decreased primarily due to the higher cost of gas which made other sources of energy supply more economical.



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## operations, maintenance and administration

Operations, maintenance and administration expenses of \$442 million increased \$34 million over the prior year. An increase in post retirement benefit costs and in environmental expenditures were the primary reasons for the increase.

The increase of approximately \$18 million in total post retirement benefit costs reflects the results of the recently completed actuarial valuation. An update to the actuarial assumptions for such items as the interest, inflation and retirement rates, together with some plan improvements, combined to increase costs. BC Hydro's pension obligation is fully funded.

The increase in environmental expenditures primarily reflects an \$11 million provision for the remediation of the Rock Bay property on Vancouver Island. Until the 1940s, the Rock Bay site was used as a gasification plant where coal was converted to gas for use in Victoria's homes and businesses. A by-product of the conversion process was coal tar. Recent advances in technology have made it possible to safely excavate and permanently dispose of the coal tar contaminated soil. Remediation of this site is expected to take place later in the year 2000, or in 2001.

Costs incurred to maintain the company's aging fleet of assets in order to ensure continued system reliability and to service customer growth also contributed to the increase in OMA costs. BC Hydro continues to invest in programs and initiatives to increase efficiencies and to add value to its customers and shareholder.

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## depreciation and amortization

Depreciation and amortization was \$365 million, compared with \$339 million for the previous year. The increase reflects more assets in service due to customer growth and consequent system reinforcement. The write-down of some assets to their net recoverable values also contributed to the increase.

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## finance charges

2000		
<b>Changes:</b>	<b>\$ 579</b>	<b>\$ 615</b>
Interest rates		\$ 21
Foreign exchange		4
Volume of debt		3
Other		8
		<b>\$ 36</b>

Finance charges of \$579 million were \$36 million, or six per cent, lower than the same period last year. Lower interest charges, largely due to the refinancing of US long-term debt during the later half of the prior year at lower interest rates, was the primary reason for the decrease. US bonds totaling \$450 million, with original coupon rates of 12.5 per cent, were called and refinanced at floating rates of approximately six per cent. A decrease in short-term interest rates during the year also contributed to the lower finance charges.



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## capital expenditures

The total of BC Hydro's capital expenditures, excluding demand-side management programs, was \$403 million in 2000, up \$16 million from the previous year.

Distribution system expansion and improvements to service customer growth accounted for \$139 million in expenditures, a slight decrease from the \$142 million last year. Expenditures on generation upgrade, replacement and plant reliability projects increased by \$21 million from the prior year to \$134 million, while \$130 million was spent on other substation, transmission line, computers, and control and communications projects.

The generation upgrade costs include \$26 million for the Stave Falls Power Plant Replacement project. The existing five-unit 52.5 MW power plant was replaced by a two-unit 90 MW plant to improve reliability and increase output to meet growing demand in the Lower Mainland. Construction began in the fall of 1995: the power plant was brought into service on time (Unit 1 in October 1999 and Unit 2 in December 1999) and under budget (approximately \$40 million), with total project costs coming in at approximately \$140 million. The fiscal 2000 expenditures relate to construction of the powerhouse, switchyard and the supply of major equipment including turbines, generators and transformers. As well, a Water Use Plan for the Stave River was completed. The new powerhouse provides energy for an additional 8000 homes and has the capacity to meet the annual energy needs of about 35 000 homes.

Capital expenditures also include \$20 million for upgrades made to the transmission line towers damaged by high-snowpack pressure earlier in the year. Work on twenty-six of the twenty-nine towers needing repair was completed. The remaining three towers were secured for the winter and repairs will be completed this summer. The towers, in the Tantalus Mountain range near Squamish, support two 500 kilovolt (kV) transmission lines which supply electricity to the Sunshine Coast and Vancouver Island, and one 500 kV transmission line southeast of Squamish in the headwaters of the Stawamus and Indian Rivers. The snowpack where the transmission towers are located was 200 per cent of normal and the snow was more than eight metres deep in some locations. The pressure of the snow on some of the towers caused several tower legs to buckle and some of the steel cross-supports to bend or break. The permanent repairs will enable the towers to withstand a one in 100-year snowfall. Repairs to these towers will help to ensure that BC Hydro is able to meet customer needs and expectations for a secure and reliable electricity supply.

## long-term debt

Long-term debt, net of sinking funds and temporary investments, was \$7,005 million as at March 31, 2000, compared with \$7,491 million as at the end of the prior year. Cash flow from operations was more than enough to cover capital expenditures and the Payment to the Province, allowing for the decrease in the net long-term debt. A stronger Canadian dollar versus the US dollar, which decreased the Canadian equivalent of the US debt held by BC Hydro by approximately \$125 million, also contributed to the decrease in net long-term debt. The Canadian dollar was \$0.688 US at March 31, 2000 compared to \$0.663 US at March 31, 1999.

Debt issues for fiscal 2000 totaled \$514 million. The proceeds from these issues, in addition to funds from operations, short-term borrowings and sinking fund withdrawals, were used to finance the redemptions of \$606 million of variable-rate Japanese debt, \$267 million of Canadian long-term debt and \$15 million in exchangeable bonds.

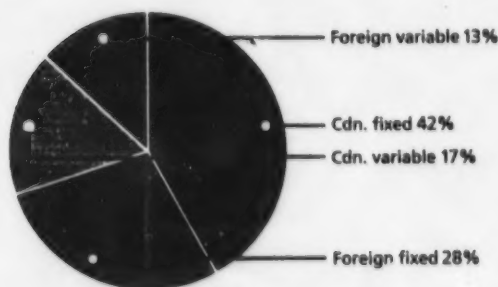
BC Hydro continues to actively manage its debt portfolio in order to meet the objective of reducing its overall cost of debt within acceptable levels of risk. In order to meet this objective, BC Hydro maintains direct exposure to both Canadian and US dollars at fixed and floating interest rates, and employs the following strategies:

### Minimizing foreign exchange risk

BC Hydro maintains a portion of its core debt portfolio in US dollars primarily to match US dollar revenues from export sales. As at March 31, 2000 BC Hydro had \$2,289 million in US debt, the same balance as at the end of the prior year. BC Hydro manages foreign exchange risk arising from this US dollar debt through the use of short- and long-term currency agreements, in addition to matching interest payments with US dollar revenue received from US export sales.

BC Hydro also holds ¥10,000 of debt in Japanese yen. BC Hydro's exposure to Japanese yen has been eliminated through the use of currency swaps; as a result its direct exposure remains in Canadian dollars. This structured financing has allowed BC Hydro to reduce its borrowing costs.

### Debt portfolio: interest rate and foreign exchange exposure



## Management of fixed vs. floating rate debt

Debt issued at floating interest rates is generally managed to a level between 20 and 40 percent of total debt in order to minimize finance charges to within acceptable risk levels. As at March 31, 2000 BC Hydro had 30 per cent of total net long-term debt at floating rates, compared to 38 per cent last year. BC Hydro can adjust its weighting of fixed and floating rate debt by using financial instruments such as interest rate swaps, and using strategies such as financing redemptions of fixed rate debt with floating rate debt.

## Management of debt maturity profile

Maturity dates of debt issues are set to ensure a level of maturities from one year to the next do not expose BC Hydro to undue refinancing risk. In fiscal 2000, approximately 42 per cent of debt had a remaining maturity in excess of ten years.

When debt can be refinanced at lower interest rates in advance of its original maturity date by exercising call options on the debt, BC Hydro takes advantage of these opportunities. In fiscal 2000, BC Hydro did not have opportunities to call any debt in advance of its original maturity date, compared to \$763 million that was called in 1999.

### payment to the province

	2000	1999
Actual rate of return	16.69%	17.43%
Allowed rate of return <sup>1</sup>	16.69%	17.47%
Payment to the Province	\$ 343	\$ 326

<sup>1</sup> BC Hydro's allowed 1995 rate of return was approved by the British Columbia Utilities Commission in its last rate decision of November 24, 1994. The following years' rates of return were calculated by BC Hydro using the same method as in 1995. The allowed return on equity has been calculated to equal, on a pre-income tax basis, that of the most comparable investor-owned utility.

BC Hydro is required to make an annual Payment to the Province equal to 85 per cent of its distributable surplus. The Payment to the Province increased to \$343 million for fiscal 2000 from \$326 million in the previous year due to an increase in distributable surplus. Distributable surplus is net income after Rate Stabilization Account transfers, adjusted for interest during construction and related depreciation. Without the transfer into the Rate Stabilization Account this year, the Payment to the Province would have been \$453 million.

In addition to the above payment, BC Hydro paid \$447 million in water rentals, school taxes, grants and capital tax to provincial and municipal governments in fiscal 2000.

### rate freeze

On February 3, 2000 the provincial government announced that the BC Hydro rate freeze, which would otherwise expire on March 31, 2000, had been extended to September 30, 2001. BC Hydro last had a rate increase in 1993. After adjusting for inflation, real electricity rates have declined by approximately 13 percent in the last decade. BC Hydro's rates continue to be amongst the lowest in North America.

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## business risks

BC Hydro is subject to various financial and other risks that can cause significant volatility in its earnings. BC Hydro has policies and procedures, as well as specific expertise, to manage these risks. The reinstatement of a Rate Stabilization Account also helps to mitigate the year-to-year volatility in BC Hydro's earnings.

### 1. Continued access into export markets

The import and export of energy is a significant aspect of BC Hydro's business. Continued access into export markets is vital for the company's ongoing success. In order to transact in the Alberta and US electricity marketplace, BC Hydro has offered open and non-discriminatory transmission access at the wholesale level since 1996. BC Hydro has also undergone a functional restructuring to separate its generation and wholesale marketing functions from its transmission functions. As a result, BC Hydro can sell electricity directly to Alberta and US wholesale customers, and our US competitors can sell electricity to wholesale customers within BC as well as transmit electricity through BC and into Alberta. While BC Hydro's trade activities have increased significantly since the opening up of the wholesale market, sales to wholesale customers within BC by our competitors have been minimal due to our favourable competitive position.

The Federal Energy Regulatory Commission (FERC), which is the federal regulatory body in the US, continues to consider ways to provide a greater separation between transmission and generation functions in the US in order to move to an even more competitive wholesale electricity market. FERC's Order 2000 on Regional Transmission Organizations, issued in December 1999, will have a significant effect on the structure of US transmission. To continue to have access to the US market, BC Hydro itself may need to further change its structure to be on a level playing field with its competitors. BC Hydro continually monitors developments in other jurisdictions and evaluates the options needed to respond to these challenges.\*

BC Hydro must also continue to maintain and improve bidirectional transmission capacity between its system and other markets in order to continue to maximize the value of the BC Hydro system. Several initiatives are underway within BC Hydro to ensure the most restrictive limitations in the transmission system are eliminated to preserve the current electricity trade business and enable further trade opportunities.

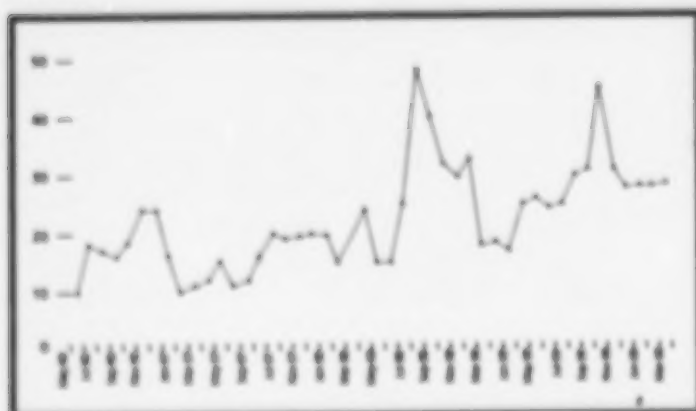
### 2. Water inflows into reservoirs

BC Hydro's net income is significantly influenced by the level of water inflows into its reservoirs. High levels of water inflows into BC Hydro's reservoirs allow for a greater proportion of energy demand to be met using low-cost hydro generation in place of higher-priced energy purchases, thereby reducing the cost of energy and increasing net income. The unit cost of energy purchases in fiscal 2000 was on average more than six times greater than unit cost of hydro generation. High inflows can also create surplus energy not required to meet domestic demand. This energy can be sold at favourable profit margins on the electricity trade market. As the amount of inflows can fluctuate significantly from year to year, BC Hydro faces challenges in operating its system to try to minimize the impact of low water years on net income. BC Hydro continues to optimize energy management through the appropriate mix of self-generation and energy imports, depending on water inflows and the fluctuating economic and market conditions.

### 3. Energy Market Prices

Export revenues are directly affected by market prices, as are short-term energy purchases related to both domestic and electricity trade. Market prices also affect a number of decisions, including whether it is more economical to generate hydro- or thermal electricity; whether to purchase energy during specific time periods; and when to sell energy in the export market. Market prices

that are relevant to BC Hydro are strongly influenced by market conditions in the Pacific Northwest and in California, where the majority of BC Hydro's electricity trade transactions occur. Market prices at the Mid-Columbia trading hub in central Washington State are indicative of the prices in the Pacific Northwest. Factors such as the level of water inflows, gas prices, unit outages and weather conditions in the Pacific Northwest and California all influence the market price. Any change in market prices could have a significant impact on BC Hydro's electricity trade revenues, cost of energy and, ultimately, net income. As can be seen from the chart below, energy prices have been extremely volatile from month to month over the last several years. BC Hydro is prepared to take advantage of the price spikes through consistently monitoring its market strategies and using its storage and generation capabilities. BC Hydro also has risk management practices to manage market, credit and administrative risk related to these activities.



Mid-Columbia  
on-peak prices  
in US\$ per  
MW·h

#### 4. Interest rates and foreign exchange rates

As with most utilities, BC Hydro is a highly debt-leveraged, capital-intensive company. Changes in interest and foreign exchange rates can therefore have a significant impact on finance charges. BC Hydro uses several debt-management strategies to minimize the impact of interest rate and foreign exchange rate fluctuations; however, these fluctuations can still exert a significant influence on finance charges. It is estimated that a one percent increase in the short-term borrowing rate will increase finance charges by \$25 million, while a one cent decrease in the Canadian dollar versus the US dollar will increase finance charges by approximately \$5 million. Some of the debt-management strategies employed by BC Hydro include the use of foreign currency agreements to minimize foreign exchange risk and the management of fixed- and floating-rate debt within acceptable risk levels in order to minimize interest rate risk.

#### 5. Weather

Weather has a significant impact on residential revenues, particularly in the months of December to February. It is estimated that if temperatures are ten per cent warmer or colder than normal, residential revenues will decline or increase by five per cent and seven per cent respectively. BC Hydro minimizes the impact of lost domestic sales resulting from warmer than normal weather by increasing reservoir levels, if practical, or by selling the energy in the export market.

BC Hydro has the expertise to effectively manage its unique business risks and is also well positioned to successfully compete in the emerging energy market. The electricity rates BC Hydro charges its domestic customers are already amongst the lowest in North America. BC Hydro continues to focus on managing its existing costs and is also continually evaluating and considering a wide array of business strategies to help maximize value for its customers and shareholders. BC Hydro also remains committed to providing low-cost, safe and reliable electricity.

2000 CONSOLIDATED

# statements

financial and operating statistics



# management report

The consolidated financial statements of British Columbia Hydro and Power Authority are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at May 10, 2000. The consolidated financial statements have also been reviewed by the Finance Committee and approved by the Board of Directors. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

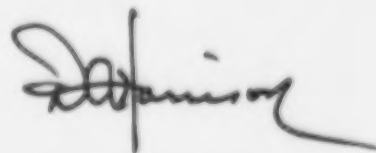
Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Finance Committee.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present BC Hydro's financial position, results of operations and cash flows in accordance with generally accepted accounting principles. The Report of the Auditors, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance Committee, comprised of directors who are not employees, meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility, and to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Finance Committee, with and without the presence of management.



Michael Costello  
President and Chief Executive Officer



David A. Harrison  
Senior Vice-President,  
Corporate & Financial Affairs and  
Chief Financial Officer

Vancouver, Canada  
May 10, 2000

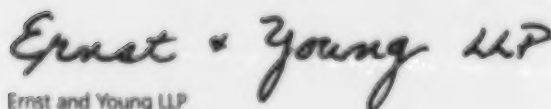
# auditors' report

The Lieutenant Governor in Council,  
Province of British Columbia:

We have audited the consolidated balance sheet of British Columbia Hydro and Power Authority as at March 31, 2000 and the consolidated statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of British Columbia Hydro and Power Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of British Columbia Hydro and Power Authority as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ernst and Young LLP  
Chartered Accountants

Vancouver, Canada  
May 10, 2000



## consolidated statement of operations

FOR THE YEARS ENDED MARCH 31

	2000	1999
<b>REVENUES</b>		
Domestic		
Residential	\$ 894	\$ 855
Light industrial and commercial	851	838
Large industrial	480	488
Other energy sales	73	77
Miscellaneous	30	20
	2,328	2,278
Electricity trade	1,129	739
	3,457	3,017
<b>EXPENSES</b>		
Energy costs (Note 2)	1,355	1,075
Operations, maintenance and administration	442	408
Depreciation and amortization (Note 3)	365	339
Taxes (Note 4)	171	173
	2,333	1,995
<b>INCOME BEFORE FINANCE CHARGES, EMPLOYEE TRANSITION OPTION COSTS AND TRANSFER TO RATE STABILIZATION ACCOUNT</b>	1,124	1,022
Finance charges (Note 5)	579	615
<b>INCOME BEFORE EMPLOYEE TRANSITION OPTION COSTS AND TRANSFER TO RATE STABILIZATION ACCOUNT</b>	545	407
Employee transition option costs (Note 6)	-	12
Transfer to rate stabilization account	129	-
	-	-
<b>NET INCOME</b>	\$ 416	\$ 395

## consolidated statement of retained earnings

FOR THE YEARS ENDED MARCH 31

	2000	1999
Retained earnings, beginning of year	\$ 1,312	\$ 1,243
Net income	416	395
Payment to the Province (Note 1)	(343)	(326)
Retained earnings, end of year	\$ 1,385	\$ 1,312

See accompanying notes to consolidated financial statements.

# consolidated balance sheet

AS AT MARCH 31

	2000	
<b>Assets</b>		
<b>CAPITAL ASSETS (Note 7)</b>		
Capital assets in service	\$ 14,050	\$ 13,602
Less accumulated depreciation	4,982	4,689
	9,068	8,913
Unfinished construction	252	323
	9,320	9,236
<b>CURRENT ASSETS</b>		
Temporary investments	5	33
Accounts receivable and accrued revenue	415	412
Materials and supplies	77	76
Prepaid expenses	74	90
	571	611
<b>OTHER ASSETS AND DEFERRED CHARGES</b>		
Sinking funds (Note 8)	1,017	955
Demand-side management programs	146	176
Deferred debt costs (Note 9)	500	634
Foreign currency contracts (Notes 11 and 12)	21	54
Other	21	19
	1,705	1,838
	\$ 11,596	\$ 11,685
<b>Liabilities and Equity</b>		
Long-term debt net of sinking funds	\$ 6,311	\$ 6,170
Sinking funds presented as assets	1,017	955
<b>LONG-TERM DEBT (Note 10)</b>	7,328	7,125
<b>FOREIGN CURRENCY CONTRACTS (Notes 11 and 12)</b>	-	52
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (Note 10)	699	1,354
Accounts payable and accrued liabilities	480	323
Accrued interest	126	128
Accrued Payment to the Province	343	326
	1,648	2,131
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Provision for future removal and site restoration costs	130	108
Deferred revenue	197	178
Rate stabilization account	129	-
Contributions in aid of construction	549	539
Contributions arising from the Columbia River Treaty	230	240
	1,235	1,065
Commitments and contingencies (Note 14)		
<b>RETAINED EARNINGS</b>	1,385	1,312
	\$ 11,596	\$ 11,685

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

BRIAN R.D. SMITH  
Chair

GORDON GREEN  
Chair, Finance Committee

# consolidated statement of cash flows

FOR THE YEARS ENDED MARCH 31

	2000	1999
<b>Operating Activities</b>		
Net income	\$ 416	\$ 395
Adjustments for:		
Depreciation and amortization (Note 3)	378	350
Transfer to rate stabilization account	129	-
Other non-cash items	56	54
	979	799
Working capital changes	126	(76)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,105</b>	<b>723</b>
<b>Investing Activities</b>		
Capital asset expenditures	(403)	(387)
Contributions in aid of construction	41	39
Demand-side management programs	(3)	(5)
Future removal and site restoration costs	(7)	(6)
Other	(4)	(15)
<b>CASH (USED FOR) INVESTING ACTIVITIES</b>	<b>(376)</b>	<b>(374)</b>
<b>Financing Activities</b>		
Bonds, notes and debentures		
- issued	514	923
- retired	(888)	(1,090)
Revolving borrowings	24	66
Repurchased debt		161
Sinking funds	(62)	2
Deferred debt costs	(8)	(23)
Settlement of financial instruments	9	-
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<b>(431)</b>	<b>39</b>
<b>Payment to the Province (Note 1)</b>	<b>(326)</b>	<b>(366)</b>
Increase (decrease) in cash	(28)	22
Cash at beginning of year	33	11
<b>Cash at end of year</b>	<b>\$ 5</b>	<b>\$ 33</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 632	\$ 684

Cash consists of temporary investments.

See accompanying notes to consolidated financial statements.

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## significant accounting policies

### Purpose

British Columbia Hydro and Power Authority ("BC Hydro"), established in 1962 as a Crown corporation of the Province of British Columbia (the "Province") by enactment of the Hydro and Power Authority Act, has a corporate mission to provide integrated energy solutions to its customers in an environmentally and socially responsible manner. BC Hydro is subject to regulation (see Note 1) by the British Columbia Utilities Commission (the "Commission") which, amongst other things, approves the rates BC Hydro charges for its services.

BC Hydro owns and operates electric generation, transmission and distribution facilities in the province of British Columbia.

### Consolidation

The consolidated financial statements include the financial statements of BC Hydro and its principal wholly owned subsidiaries British Columbia Hydro International Limited, British Columbia Power Exchange Corporation ("Powerex"), Powertech Labs Inc. and Westech Information Systems Inc.

### Statement of cash flows

BC Hydro has adopted the new recommendations of the Canadian Institute of Chartered Accountants for cash flow statements and has restated the comparative figures to conform to this revised standard.

### Revenues

Domestic revenues comprise sales to customers within the province and sales of firm energy to those outside the province under long-term contracts which are reflected in BC Hydro's domestic load requirements. Other sales outside the province are classified as electricity trade.

Revenue is recognized on the basis of cyclical billings and also includes electricity deliveries not yet billed.

### Foreign currency translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date.

Gains and losses arising from the translation of long-term debt are deferred and amortized over the remaining term of the debt. Annual amortization is determined using a reverse sum-of-remaining-years amortization method, with straight-line amortization in the last four years.

Where foreign currency denominated long-term debt is refinanced in the same currency, any unamortized foreign currency translation gains and losses associated with the refinanced debt are amortized over the shorter of the term to maturity of the new debt or the refinanced debt. Where partial refinancing occurs in the same currency, the unamortized foreign currency translation gains or losses continue to be deferred and amortized on a pro rata basis. Where foreign currency denominated long-term debt is refinanced in a different currency, any unamortized foreign currency translation gains or losses are included in finance charges at the refinancing date.

## Depreciation

Capital assets in service are depreciated on an individual or a pooled basis over the expected useful lives of the assets, generally using the straight-line method.

The expected useful lives, in years, of BC Hydro's main classes of capital assets are:

<b>Generation</b>			
Hydraulic	50 - 100	Substations	20 - 50
Thermal	10 - 50	Buildings	40 - 45
Distribution	30 - 50	Equipment	4 - 20
Transmission lines	35 - 100	Service vehicles	7 - 20

## Finance charges capitalized

Finance charges are capitalized on construction in progress at rates equivalent to BC Hydro's average annual cost of borrowing (2000 - 5.84 per cent; 1999 - 6.39 per cent). The rate takes into consideration annual interest costs plus foreign exchange adjustments and amortization of premiums, discounts and issue costs.

## Capital assets

Capital assets in service are recorded at cost which includes materials, direct and indirect labour, an appropriate allocation of administration overhead and finance charges capitalized during construction. Capital assets in service include the cost of plant financed by contributions in aid of construction and contributions arising from the Columbia River Treaty. Upon retirement or disposal, any gain or loss is charged to income for assets depreciated on an individual basis, or to accumulated depreciation for assets depreciated on a pooled basis.

Unfinished construction consists of construction in progress and the unamortized balance of studies and abandoned or indefinitely postponed projects. The balance includes materials, direct and indirect labour, finance charges capitalized and an appropriate allocation of administration overhead. Costs are transferred to capital assets in service when the asset is substantially complete and capable of operation at a significant level of capacity.

Costs of studies and abandoned or indefinitely postponed projects are deferred and amortized on a straight-line basis over five years where it is management's intention to recover the costs through future rates. If the costs of an abandoned or indefinitely postponed project will not be recovered through continuing operations, the costs related to the project, including overhead and interest during construction, are expensed immediately.

## Temporary investments

Temporary investments consist of cash and short-term investments invested in short-term unitized bonds with the Province. The temporary investments are held by the Province and are valued at the lower of cost and market value.

## Materials and supplies

Materials and supplies are valued at average cost less provisions for decline in value.

## Demand-side management programs

Demand-side management ("DSM") programs comprise programs designed to reduce the energy requirements on BC Hydro's system.

Expenditures on DSM programs, including materials, direct labour and applicable portions of administration charges, equipment costs, program costs and incentives, are deferred and amortized on a straight-line basis over ten years, except for project feasibility studies which are expensed as incurred.

Incentives provided to assist in the construction of third-party electric generation facilities are deferred and amortized on a straight-line basis over the expected period of operation of the facilities.

### Deferred debt costs

Discount and issue costs arising from debt issues are amortized on a straight-line basis over the remaining term of the debt. Premiums on repurchased debt are amortized on a yield basis over the estimated original term to settlement of the debt. Premiums arising on the call of existing debt are amortized over the term to maturity of the new debt.

### Derivative financial instruments

BC Hydro uses derivative financial instruments, principally interest rate and foreign currency swaps, options and forward rate agreements, solely to manage interest rate and foreign exchange risks related to debt.

Payments and receipts under interest rate and cross currency swap contracts are recognized as adjustments to finance charges. Gains and losses on terminated derivative interest rate and cross currency swaps, options and forward rate agreements are deferred and amortized over the remaining term of the related contract.

### Sinking funds

Sinking funds are held as individual portfolios or units in a pooled bond fund. Securities included in an individual portfolio are recorded at cost, adjusted by amortization of any discounts or premiums arising on purchase on a yield basis over the estimated term to settlement of the security. Realized gains and losses are included in sinking fund income. Unrealized gains and losses are not recognized. Units in the pooled bond fund are recorded at cost, adjusted by amortization of any realized and unrealized gains and losses on a straight-line basis over the weighted average term to maturity of the related debt. Foreign currency translation gains and losses are deferred and amortized over the weighted average term to maturity of the related debt.

### Future removal and site restoration costs

Provisions for the costs net of expected recoveries for future removal and site restoration arising on the retirement of capital assets are made where reasonably estimable. These costs are charged to depreciation expense on a straight-line basis over the expected useful lives of the related assets. Provisions required are revised periodically in accordance with changes in BC Hydro's assumptions and estimates underlying the calculations and with experience arising from the removal of capital assets.

### Deferred revenue

Deferred revenue consists principally of amounts received under the Skagit River Agreements. Under these agreements, BC Hydro is required to deliver a predetermined amount of electricity each year for an 80-year period ending in fiscal 2066. In return BC Hydro receives approximately US \$22 million each year for a 35-year period ending in fiscal 2020 and US \$100,000 (adjusted for inflation) each year for an 80-year period ending in fiscal 2066.

The amounts received under the agreements are deferred and included in income on an annuity basis over the electricity delivery period ending in fiscal 2066.

### Rate stabilization account

The rate stabilization account was established on March 30, 2000, to mitigate the impact of volatile earnings on ratepayers. Transfers are made to the rate stabilization account during high income years to reduce the need for rate increases in lower income years.

Where consolidated net income, before any rate stabilization account transfers, is greater than the



amount needed by BC Hydro to achieve the annual rate of return on equity allowed by the Commission, then consolidated net income is decreased accordingly by an appropriate transfer to the rate stabilization account.

Where consolidated net income, before any rate stabilization transfers, is less than the amount needed to achieve the allowed rate of return on equity, then consolidated net income is increased by a transfer from the rate stabilization account. Transfers from the rate stabilization account are subject to a positive balance existing in the account, provided BC Hydro's debt:equity ratio, after the transfers, is not greater than 80:20.

## Contributions

Contributions in aid of construction are amounts paid by certain customers toward the cost of capital assets required for the extension of services. These amounts are amortized over the expected useful life of the related assets at a rate equal to the corresponding annual provision for depreciation.

Contributions arising from the Columbia River Treaty relate to three dams built by BC Hydro in the mid-1960s to regulate the flow of the Columbia River. The proceeds received were contributed to BC Hydro to assist in financing the dams' construction. These proceeds were deferred and are amortized to income over the period ending in fiscal 2025, the minimum term of the treaty.

## Pension costs and other post-retirement benefits

The cost of pensions earned by the employees during the year is actuarially determined using the projected benefit method pro rated on service, and management's best estimate of plan investment performance, salary escalation and retirement ages of plan members. Plan assets for the pension plan are valued using a five-year moving average market-related value. Pension costs include the current cost of service, the interest cost on the accrued benefit obligation, the expected return on plan assets and amortization of:

- past service benefits and plan enhancements;
- experience gains and losses; and
- the plan surplus existing in fiscal 1987 when the current pension accounting policy was introduced.

Amortization is on a straight-line basis over the expected average remaining service life of pension plan members, which is currently twelve years.

Other post-retirement benefits are recognized as paid.

## Environmental expenditures and liabilities

Environmental expenditures are incurred specifically to maintain or enhance the quality of the natural and social environment, or to minimize any adverse impact thereon. Environmental expenditures are expensed as part of operating activities, unless they constitute an asset improvement or act to mitigate or prevent possible future contamination, in which case the expenditures are capitalized and amortized to income. Environmental liabilities are accrued when environmental expenditures relating to activities of BC Hydro are considered likely and the costs can be reasonably estimated.

## Use of estimates

Management of BC Hydro has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

## notes to consolidated financial statements

### note 1: regulation

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BC Hydro is regulated by the Commission, and they are both subject to general or special directions issued by order of the Province. Under Orders in Council dated November 13, 1992, the Province issued Special Directive No. 2 to BC Hydro and Special Direction No. 8 to the Commission. Special Directive No. 2 was revoked and replaced by Special Directive No. 4 and Special Direction No. 8 was amended by an Order in Council dated March 30, 2000. These directives establish the basis for determining BC Hydro's allowed return on equity, calculation of its revenue requirements, rates charged to customers and the annual Payment to the Province.

#### Payment to the province

Under Special Directive No. 4, BC Hydro is required to make an annual Payment to the Province on or before June 30 of each year, with respect to the financial results of the most recently completed fiscal year. The payment equals 85 per cent of BC Hydro's distributable surplus provided the debt:equity ratio of BC Hydro after deducting the payment is not greater than 80:20.

Distributable surplus is defined as consolidated net income adjusted by deducting finance charges capitalized during the year net of depreciation charged on capitalized finance charges and calculated after any rate stabilization account transfers and before customer profit sharing. Equity is defined as the sum of retained earnings, the rate stabilization account, deferred revenue, contributions arising from the Columbia River Treaty and contributions in aid of construction at the end of the fiscal year. Debt is defined as the sum of revolving borrowings, bonds, notes and debentures, net of related sinking funds, temporary investments and repurchased debt at the end of the fiscal year. These definitions also apply to Special Direction No. 8.

#### Revenues

Under Special Direction No. 8 as amended by Special Direction No. 3 and an Order in Council dated March 30, 2000, the Commission is required to ensure electricity rates are sufficient to allow BC Hydro to achieve an annual rate of return on equity equal to the return allowed, on a pre-income tax basis, by the most comparable investor-owned energy utility regulated under the Utilities Commission Act. The allowed annual rate of return on equity calculated for 2000 is 16.69 per cent (1999 - 17.47 per cent). Average electricity rate increases for each year are limited to the projected rate of inflation for British Columbia plus two percentage points. For rate setting purposes, the rate of return on equity projected to be achieved by BC Hydro is determined after taking into account any available transfer from the rate stabilization account.

Under the Tax and Rate Freeze Act, BC Hydro is required to freeze its basic tariffs for all customers effective December 10, 1997 to March 31, 2000. Subsequent amendments have extended the rate freeze to September 30, 2001.



## note 2: energy costs

	2000	1999
Water rentals	\$ 276	\$ 267
Electricity purchases	886	655
Fuel	82	77
Third-party transmission charges	104	54
Powerex operating costs	21	17
Compensation and mitigation costs	6	5
	\$ 1,355	\$ 1,075

## note 3: depreciation and amortization

	2000	1999
Depreciation of capital assets in service	\$ 334	\$ 320
Amortization of contributions arising from the Columbia River Treaty and contributions in aid of construction	(41)	(40)
Amortization of studies and abandoned or indefinitely deferred projects	12	10
Amortization of demand-side management programs	32	32
Future removal and site restoration costs	29	28
Capital asset write-offs	12	-
	378	350
Less classified as operations, maintenance and administration	(113)	(111)
	\$ 365	\$ 339

## note 4: taxes

	2000	1999
Corporation capital taxes	\$ 34	\$ 30
School taxes and grants	137	143
	\$ 171	\$ 173

Corporation capital taxes and school taxes and grants are paid to the Province unless otherwise noted. School taxes of \$33 million (1999 - \$35 million) and grants of \$36 million (1999 - \$36 million) were paid to municipalities and regional districts. All school taxes paid to municipalities and regional districts are remitted to the Province. As a Crown corporation, BC Hydro is exempt from federal and provincial income tax.

## note 5: finance charges

	1999	2000
Interest on debt securities - bonds, notes and debentures	\$ 600	\$ 452
- revolving borrowings	10	10
Amortization of deferred debt costs and other expenses	45	45
	655	507
Less:		
Sinking fund income	(80)	(80)
Income on repurchased debt and other income	(132)	(131)
Finance charges capitalized to unfinished construction	(190)	(190)
	(302)	(301)
	\$ 353	\$ 206

Included in interest on debt securities is \$586 million (1999) - \$583 million in interest paid to the Province.

## note 6: employee transition option costs

During fiscal 1999, BC Hydro offered certain employees options to mitigate the impact of changes in business processes. The options provided employees with voluntary retirement offers and other options for those positions subject to permanent reduction or relocation.

## note 7: capital assets

	1999				2000			
	CAPITAL ASSETS IN SERVICE	ACCUMULATED DEPRECIATION	CONCESSIONS	CONCESSIONS IN SERVICE	CAPITAL ASSETS IN SERVICE	ACCUMULATED DEPRECIATION	CONCESSIONS	CONCESSIONS IN SERVICE
GENERATION								
Hydraulic	\$ 5,877	\$ 1,422	\$ 20	1.5%	\$ 6,500	\$ 1,362	\$ 140	1.1%
Thermal	581	164	13	0.9	281	176	10	0.8
	5,418	1,600	48		5,245	1,527	80	
DISTRIBUTION	5,604	936	42	5.6	5,850	871	40	2.6
TRANSMISSION LINES	3,790	1,100	28	0.8	3,070	1,050	20	0.7
CONNECTIONS	1,834	664	10	0.5	1,868	600	10	0.5
OTHER								
Land and buildings	418	90	5	3.0	418	85	5	2.9
Equipment	487	680	38	7.2	482	271	40	6.0
Service vehicles	109	63	-	7.8	100	10	-	6.8
Sundry	28	10	-	8.0	20	5	-	5.0
	1,042	473	43		1,019	410	45	
TOTAL	\$ 16,055	\$ 4,685	\$ 272		\$ 15,022	\$ 4,085	\$ 120	

## note 8: sinking funds

Sinking funds are held by the Trustee (the Minister of Finance and Corporate Relations for the Province) for the redemption of long-term debt. Sinking fund income is recorded as a reduction of finance charges.

The sinking fund balances at the balance sheet date include the following investments:

	2000		1999	
	LIABILITIES \$000	RECORDED EARNINGS (\$000 less 0.01%)	LIABILITIES \$000	RECORDED EARNINGS (\$000 less 0.01%)
Money market certified funds	\$ 224	0.6%	\$ 130	0.0%
Provisions of BC and BC Crown				
Corporation bonds	981	0.0	980	0.0
Federal and other provincial				
government securities	180	0.0	180	0.0
US dollar treasury notes	-	-	53	0.0
	\$ 1,205		\$ 1,243	

<sup>1</sup> Rate calculated on money paid is maturity at March 31

<sup>2</sup> Investments held in money market certified funds consist of federal and provincial government paper and high-grade commercial paper with a maturity of one year or less

For value information for sinking funds is presented in Note 12

## note 9: deferred debt costs

	2000		1999	
Amortized foreign exchange losses	\$	600	\$	672
Discount and issue costs		167		162
	\$	767	\$	834

## note 10: long-term debt

BC Hydro's long-term debt comprises bonds, notes and debentures, substantially all of which have annual sinking fund requirements (see Notes 8 and 14), and revolving borrowings obtained under a borrowing agreement with the Province. BC Hydro's debt is either held or guaranteed by the Province.

Under the Hydro and Power Authority Act, BC Hydro is subject to a borrowing limit of \$8,800 million after deduction of sinking funds but prior to deduction of repurchased debt. As at March 31, 2000, BC Hydro's total debt as defined under the borrowing limit totaled \$7,010 million (1999 - \$7,524 million).

During fiscal 2000, BC Hydro issued bonds and debentures totaling \$514 million (1999 - \$923 million) with a weighted average effective interest rate of 5.8 per cent (1999 - 6.3 per cent) and a weighted average term to maturity of 8.9 years (1999 - 16.9 years).

Long-term debt, expressed in Canadian dollars, is summarized in the following table by year of maturity.

	2000				1999	
	carrying amount	carrying amount	total	weighted average interest rate <sup>1</sup>	carrying amount	weighted average interest rate <sup>1</sup>
<b>Maturing in fiscal:</b>						
2000	\$ -	\$ -	\$ -	- %	\$ 863	6.1%
2001	79	188	267	6.7	989	6.7
2002	426	-	426	6.3	1818	5.4
2003	-	487	487	7.1	422	7.8
2004	290	291	581	7.5	380	9.0
2005	289	181	470	6.8	-	-
<b>Total</b>						
01 - 5 years	5,575	944	6,519	6.1	2,191	7.4
6 - 10 years	1,829	586	2,415	7.1	2,884	7.4
11 - 15 years	290	580	870	9.4	1,533	7.4
16 - 20 years	-	-	-	-	-	-
21 - 25 years	1,296	-	1,296	10.1	1,282	10.1
26 - 30 years	-	737	737	6.8	710	6.8
Over 30 years	-	436	436	7.5	412	7.4
<b>Bonds, notes and debentures</b>	<u>8,690</u>	<u>3,868</u>	<u>12,558</u>	<u>6.7</u>	<u>7,698</u>	<u>7.7</u>
<b>Revolving borrowings</b>	<u>912</u>	<u>2</u>	<u>914</u>	<u>9.3</u>	<u>487</u>	<u>6.9</u>
	<u>\$ 9,602</u>	<u>\$ 3,870</u>	<u>\$ 13,472</u>		<u>\$ 8,185</u>	
<b>Less:</b>						
Current portion			<u>662</u>		<u>1,254</u>	
<b>Long-term debt</b>			<u>\$ 12,810</u>		<u>\$ 6,931</u>	

<sup>1</sup>The weighted average interest rate represents the effective rate of interest on fixed-rate bonds and notes and the current interest rate in effect at March 31 for floating-rate bonds and notes, all before considering the effect of derivative financial instruments used to manage interest rate risk.

The current portion of long-term debt represents the amount of debt maturing within the next fiscal year including total revolving borrowings.

Total long-term debt, sinking funds and foreign currency contracts are stated in the following table showing the Canadian dollar equivalent of the currency in which they are payable.

2000											NET PRINCIPAL OUTSTANDING AFTER WIDDOW
		IN CURRENCY UNIT	AT THE CLOSING EXCHANGE RATES AT THE BALANCE SHEET DATE	FOREIGN CURRENCY CONTRACTS	SINKING FUNDS	NET PRINCIPAL OUTSTANDING BEFORE WIDDOW	AFTER WIDDOW				
Canadian	\$	4,990	\$ 4,990	\$ -	\$ (407)	\$ 4,190	\$ 4,990	\$		4,944	
US	\$	2,209	2,207	(19)	(583)	2,729	2,433			2,678	
Japanese	\$	10,000	141	(8)	(7)	128	-			-	
Long-term debt			\$ 8,027	\$ (21)	\$ (1,017)	\$ 6,989	\$ 6,989	\$		7,522	

### Foreign debt management

As at March 31, 2000, BC Hydro hedged US dollar debt, including sinking funds and cross currency swaps totaling US \$619 million with a Canadian dollar equivalent of \$883 million (1999 - US \$588 million with a Canadian dollar equivalent of \$860 million). This results in a net foreign currency exposure of US \$1,670 million (1999 - US \$1,772 million) with a Canadian dollar equivalent of \$2,428 million (1999 - \$2,674 million).

### Revolving borrowings

The authorized borrowing limit under the borrowing agreement is \$2.0 billion, with interest charged based on prevailing money market rates. Revolving borrowings outstanding at March 31, 2000 have a weighted average remaining term to maturity of 67 days (1999 - 57 days).

### Redeemable by the bond holder

Certain debt held by the Canada Pension Plan Investment Fund and by the Minister of Finance and Corporate Relations for the Province contains provisions allowing holders to redeem the debt prior to maturity, in whole or in part, subject to certain restrictions. At March 31, 2000 this debt totaled \$263 million (1999 - \$298 million), net of related sinking funds, with maturity dates ranging from fiscal 2001 to fiscal 2010 (1999 - fiscal 2000 to fiscal 2010).

### Redeemable by BC Hydro

BC Hydro debt issues totaling \$166 million (1999 - \$175 million), net of related sinking funds with coupon rates ranging from 13.5 per cent to 14.5 per cent (1999 - 13.5 per cent to 14.5 per cent), are callable at BC Hydro's option with call dates ranging from April 14, 2001 to January 15, 2004 (1999 - April 14, 2001 to January 15, 2004).

## note 11: derivative financial instruments

Derivative financial instruments are held with the Province, which enters into such agreements with third parties on BC Hydro's behalf. BC Hydro mitigates risks associated with these instruments through Board-approved policies, limits on the use of, and the amount of, exposure arising from these instruments, as well as internal monitoring and compliance reporting to senior management.

Under an agreement with the Province, BC Hydro also indemnifies the Province for any losses incurred from contracts entered into by the Province on BC Hydro's behalf. BC Hydro does not anticipate any losses due to the indemnity.

The following interest rate contracts were in place at March 31, 2000 and 1999, with a carrying value of nil at both dates. Average variable rates are based on the effective rates at the balance sheet date and vary over time.

	2000			
<b>RECEIVE FIXED, PAY FLOATING RATE SWAPS</b>				
Nominal amount <sup>1</sup>	\$	891	\$	850
Weighted average receive rate		5.98%		5.91%
Weighted average pay rate		5.12%		5.23%
Remaining term		3 years		3 years
<b>RECEIVE FLOATING, PAY FIXED RATE SWAPS</b>				
Nominal amount <sup>2</sup>	\$	990	\$	1,012
Weighted average receive rate		5.13%		5.16%
Weighted average pay rate		6.75%		6.39%
Remaining term		3 years		4 years
<b>RECEIVE FLOATING, PAY FIXED ZERO COUPON SWAP</b>				
Nominal amount <sup>2</sup>	\$	432 <sup>3</sup>	\$	433 <sup>3</sup>
Receive rate		7.25%		7.25%
Pay rate		6.49%		6.49%
Remaining term		36 years		37 years

<sup>1</sup> "Nominal amount" for a derivative instrument is defined as the contractual amount on which payments are calculated.

<sup>2</sup> Swap receive and pay amounts are settled on a net basis in 2007 and thereafter every five years until 2032, the year of final settlement. Interest will compound on the receive amount at six month LIBOR and on the pay amount at 6.49 per cent. The net amount receivable on the swap at March 31, 2000 equals \$0 million (1999 - \$0 million).

The following foreign currency contracts with a carrying value of \$21 million (1999 - \$2 million) were in place at March 31, 2000 and 1999. Such contracts are used to hedge foreign dollar principal and interest payments.

2000							
CROSS CURRENCY SWAPS <sup>1</sup>							
BC Hydro receives foreign currency:							
United States dollar - notional amount <sup>2</sup>	US \$	267		US \$	267		
United States dollar - weighted average exchange rate		1.39			1.39		
Remaining term		5 years			6 years		
Japanese yen - notional amount <sup>2</sup>							
Japanese yen - weighted average exchange rate	¥	10,000		¥	57,770		
Remaining term		4 years			1 years		
BC Hydro pays foreign currency:							
United States dollar - notional amount <sup>2</sup>	US \$	Nil		US \$	70		
United States dollar - weighted average exchange rate		N/A			1.41		
Remaining term		N/A			5 years		

<sup>1</sup> Under these arrangements, BC Hydro receives or pays currency in exchange for Canadian currency.

<sup>2</sup> "Notional amount" for a derivative instrument is defined as the contractual amount on which payments are calculated.

## Credit risk

Derivative financial instruments include an element of risk in the event of failure by one counterparty to meet its obligations. BC Hydro is exposed to counterparty risk as a result of indemnifying the Province for losses incurred on contracts entered into by the Province on BC Hydro's behalf. BC Hydro manages credit risk by authorizing the Province to deal only with Canadian and international institutions with high credit ratings as determined by Board-approved policies, and by monitoring the credit risk and credit standing of counterparties on a regular basis. BC Hydro manages its credit exposure so there is no substantial concentration of credit risk.

## note 12: fair value of financial instruments

At March 31, 2000 and 1999, BC Hydro's financial instruments included temporary investments, accounts receivable and accrued revenue, sinking funds, accounts payable and accrued liabilities, accrued interest, accrued Payment to the Province, long-term debt, and interest rate and foreign exchange derivative financial instruments.

The fair value of BC Hydro's financial instruments approximates carrying amounts where applicable, except as shown in the following table:

	2000			
	carrying amount <sup>1</sup>	fair value <sup>2</sup>	carrying amount <sup>1</sup>	fair value <sup>2</sup>
Bonds, notes and debentures	\$ (7,940)	\$ (8,180)	\$ (7,990)	\$ (8,180)
Revolving borrowings <sup>3</sup>	(910)	(910)	(910)	(910)
Long-term debt before coupon payment	\$ (8,851)	\$ (8,790)	\$ (8,475)	\$ (8,370)
Sinking funds	\$ 1,217	\$ 1,247	\$ 915	\$ 1,008
Derivative financial instruments				
Foreign currency contracts	\$ 21	\$ 20	\$ 2	\$ 40
Interest rate swaps	-	(6)	-	(27)

<sup>1</sup> Carrying amounts represent liabilities.

<sup>2</sup> Market rates and prices used in determining fair value are as of the closing balance sheet date.

<sup>3</sup> Due to the short-term nature of revolving borrowings, fair value approximates carrying value.

Carrying value represents the amount which is recorded in BC Hydro's financial statements using generally accepted accounting principles.

The fair value of bonds, notes and debentures, and sinking funds reflects changes in the general level of interest rates that have occurred since inception. The fair value of bonds, notes and debentures is based on quoted market values or, where no such information is available, is determined by discounting the expected future cash flows of this debt at market rates for debt with similar terms and conditions. The fair value of sinking fund assets is determined by discounting the expected future cash flows of these assets at market rates for assets with similar terms and conditions.

The fair value of a derivative financial instrument reflects the amount that BC Hydro would receive (or pay) to terminate these instruments at the balance sheet date. The fair value of over-the-counter derivative contracts is determined using pricing models, which take into account market prices and contractual prices of the underlying instruments, as well as time value, yield curve and volatility factors underlying the positions.

## note 13: pension costs and other post-retirement benefits

### Pension plan

BC Hydro provides a defined benefit pension plan to virtually all employees. Pension benefits are based on years of membership service and highest five-year average pensionable earnings. Employees make basic and indexing contributions to the plan funds based on a percentage of current pensionable earnings. Annual cost-of-living increases are provided to pensioners to the extent that funds are available in the indexing fund. BC Hydro contributes amounts as prescribed by an independent actuary. The following table sets out the assumptions and pension amounts as at March 31:

	2009		2008	
Discount rate		7%		7.5%
Expected long-term rate of return on plan assets		7%		7.5%
Assumed rate of salary escalation		projected inflation + 1.5%		projected inflation + 1.5%
Expected average remaining service life of employees		13 years		13 years
	2009		2008	
Benefits obligation determined by actuarial valuation	\$	1,600	\$	1,600
Fair value of plan assets		1,608		1,708
Plan surplus	\$	108	\$	308
Pension (incurred) expense	\$	-	\$	(10)
Employer contributions	\$	18	\$	22



## Other post-retirement benefits

In addition to pension benefits, BC Hydro provides certain health care and insurance benefits to all employees who retire and are eligible for a pension. The cost of these benefits, recorded as paid, totaled \$5 million in 2000 (1999 - \$4 million).

## note 14: commitments and contingencies

### Energy purchase commitments

BC Hydro has entered into long-term contracts to purchase energy to meet a portion of its expected annual electricity requirements. The minimum obligations to purchase energy under these contracts have a total net present value of approximately \$5,893 million of which approximately \$628 million relates to a contract to purchase natural gas at market prices over 25 years. The remaining commitments are at pre-determined prices.

Payments for the next five years are approximately (in millions): 2001 - \$420; 2002 - \$485; 2003 - \$492; 2004 - \$604; 2005 - \$608.

### Sinking fund commitments

Substantially all of BC Hydro's debt issues have annual sinking fund requirements. The annual sinking fund cash requirements for the next five years are (in millions): 2001 - \$55; 2002 - \$54; 2003 - \$56; 2004 - \$58; 2005 - \$53.

### Legal contingencies

Due to the size, complexity and nature of BC Hydro's operations, various legal matters are pending. In the opinion of management, these matters will not have a material effect on BC Hydro's consolidated financial position or results of operations.

## note 15: revenues by geographic location

	2000		1999	
British Columbia	\$	2,808	\$	2,278
Rest of Canada		68		66
United States		1,081		895
	\$	3,957	\$	3,239

## note 16: comparative information

Certain amounts in the 1999 financial statements have been reclassified to conform to the presentation used in 2000.

# financial statistics

FOR THE YEARS ENDED OR AS AT MARCH 31

	2000	1999	1998	1997	1996
<b>REVENUES</b>	\$ 3,457	\$ 3,017	\$ 2,533	\$ 2,403	\$ 2,269
<b>EXPENSES</b>					
Energy costs	1,355	1,075	610	514	499
Operations, maintenance and administration	442	408	385	415	398
Depreciation and amortization	365	339	336	322	307
Taxes	171	173	177	169	169
Finance charges	579	615	585	625	746
	2,912	2,610	2,093	2,045	2,119
Restructuring costs	-	-	-	19	-
	2,912	2,610	2,093	2,064	2,119
<b>INCOME BEFORE CUSTOMER PROFIT SHARING, EMPLOYEE TRANSITION OPTION COSTS AND RATE STABILIZATION ACCOUNT TRANSFERS</b>					
Customer profit sharing	545	407	440	339	150
Employee transition option costs	-	-	32	-	-
Rate Stabilization Account transfers	-	12	-	-	-
	129	-	-	-	-
<b>NET INCOME</b>	\$ 416	\$ 395	\$ 408	\$ 339	\$ 150
<b>CAPITAL ASSETS</b>					
At cost	\$ 14,382	\$ 13,925	\$ 13,592	\$ 13,370	\$ 13,153
Less: Accumulated depreciation	4,962	4,689	4,424	4,183	3,974
<b>NET BOOK VALUE</b>	\$ 9,320	\$ 9,236	\$ 9,168	\$ 9,187	\$ 9,179
<b>Capital asset expenditures</b>	\$ 403	\$ 387	\$ 319	\$ 338	\$ 364
Less: Contributions in aid of construction	41	39	47	48	51
<b>NET CAPITAL ASSET EXPENDITURES</b>	\$ 362	\$ 348	\$ 272	\$ 290	\$ 313
<b>NET LONG-TERM DEBT<sup>2</sup></b>	\$ 7,885	\$ 7,491	\$ 7,191	\$ 7,382	\$ 7,408

<sup>1</sup> Certain amounts have been restated to conform to the presentation used in 2000.

<sup>2</sup> Consists of long-term debt net of sinking funds including current portion less temporary investments.

# operating statistics

FOR THE YEARS ENDED OR AS AT MARCH 31

	2000	1999	1998	1997	1996
<b>GENERATING CAPACITY (megawatts)</b>					
Hydroelectric <sup>1</sup>	9 992	9 960	9 921	9 746	9 716
Thermal	1 123	1 085	1 078	1 083	1 135
<b>Total</b>	<b>11 115</b>	<b>11 045</b>	<b>10 999</b>	<b>10 829</b>	<b>10 851</b>
<b>PEAK ONE-HOUR DEMAND</b>					
INTEGRATED SYSTEM (megawatts)	8 423	8 777	8 243	8 267	8 451
<b>CUSTOMERS</b>					
Residential	1 397 926	1 379 310	1 359 359	1 331 094	1 304 148
Light industrial and commercial	178 928	175 772	172 079	168 457	165 978
Large industrial	104	97	91	87	89
Other	3 032	3 011	2 977	2 960	2 901
Electricity trade	120	104	95	42	30
<b>Total</b>	<b>1 580 110</b>	<b>1 558 294</b>	<b>1 534 601</b>	<b>1 502 640</b>	<b>1 473 146</b>
<b>ELECTRICITY SOLD (gigawatt-hours)</b>					
Residential	14 399	13 987	13 701	14 167	13 442
Light industrial and commercial	16 001	15 776	15 511	15 201	14 823
Large industrial	14 603	14 705	13 042	14 175	14 569
Other	1 239	1 323	1 038	1 115	1 561
Domestic	46 442	45 791	43 292	44 658	44 395
Electricity trade	23 410	18 715	13 168	9 826	2 427
<b>Total</b>	<b>69 852</b>	<b>64 506</b>	<b>56 460</b>	<b>54 484</b>	<b>46 822</b>
<b>DOMESTIC CHANGE OVER PREVIOUS YEAR (%)</b>					
	1.4	5.8	(3.1)	0.6	3.1
<b>REVENUES (millions)</b>					
Residential	\$ 894	\$ 855	\$ 829	\$ 806	\$ 822
Light industrial and commercial	851	838	828	809	790
Large industrial	480	488	424	471	480
Other energy sales	73	77	65	67	78
Domestic electric	2,298	2,258	2,156	2,213	2,182
Miscellaneous	30	20	36	26	36
Domestic	2,328	2,278	2,192	2,239	2,218
Electricity trade	1,128	739	341	164	51
<b>Total</b>	<b>\$ 3,457</b>	<b>\$ 3,017</b>	<b>\$ 2,533</b>	<b>\$ 2,403</b>	<b>\$ 2,269</b>
<b>AVERAGE REVENUE (per kilowatt-hour)</b>					
Residential	6.1¢	6.1¢	6.1¢	6.1¢	6.1¢
Light industrial and commercial	5.3	5.3	5.3	5.3	5.3
Large industrial	3.3	3.3	3.3	3.3	3.4
Other	5.9	5.8	6.3	6.9	5.0
Electricity trade	4.8	3.9	3.6	1.7	0.1
<b>AVERAGE ANNUAL KILOWATT-HOUR USE</b>					
FOR RESIDENTIAL CUSTOMER	10 987	10 201	10 171	10 795	10 400
<b>LIRES IN SERVICE</b>					
Distribution (kilometres)	50 628	50 397	50 746	50 993	50 488
Transmission (kilometres)	17 632	17 815	17 811	17 800	17 795
<b>NUMBER OF EMPLOYEES</b>	<b>9 087</b>	<b>9 676</b>	<b>9 378</b>	<b>9 819</b>	<b>9 988</b>

<sup>1</sup> Maximum installed generating capacity

# total requirements for electricity and sources of supply

FOR THE YEARS ENDED MARCH 31

	2000						
	GENERATING CAPACITY (MEGAWATTS)	GIGAWATT- HOURS	%	GIGAWATT- HOURS	%	GIGAWATT- HOURS	%
<b>REQUIREMENTS</b>							
Domestic	11 115	46 442	62.0	45 791	65.6	43 292	70.9
Electricity trade		23 410	31.2	18 715	26.8	13 168	21.6
		69 852	93.2	64 506	92.4	56 460	92.5
Line loss and system use		5 093	6.8	5 271	7.6	4 615	7.5
		74 945	100.0	69 777	100.0	61 075	100.0
<b>SOURCES OF SUPPLY</b>							
Hydroelectric generation							
Gordon M. Shrum	2 730	13 636	18.2	14 000	20.1	13 560	22.2
Revelstoke	1 980	9 331	12.4	8 152	11.7	9 656	15.8
Mica	1 805	7 992	10.6	7 597	10.9	8 620	14.1
Kootenay Canal	572	4 034	5.4	3 501	5.0	3 639	6.0
Peace Canyon	694	3 414	4.6	3 478	5.0	3 263	5.3
Seven Mile	594	3 286	4.4	3 152	4.5	3 407	5.6
Bridge River	466	3 065	4.1	2 923	4.2	2 944	4.8
Other	1 151	5 189	6.9	4 596	6.6	5 245	8.6
	9 992	49 927	66.6	47 399	68.0	50 334	82.4
Thermal generation							
Burrard	912	1 312	1.8	3 177	4.5	1 378	2.2
Other	211	487	0.5	101	0.1	67	0.1
Purchases							
Firm		7 797	10.4	5 399	7.7	4 432	7.3
Non-firm		19 444	26.0	13 823	19.8	4 200	6.9
Exchange net		58	0.1	(82)	(0.1)	664	1.1
	11 115	74 945	100.0	69 777	100.0	61 075	100.0

2000 BC HYDRO

report

Performance measurement is an integral part of the Value-based Management (VBM) concept being implemented by BC Hydro. VBM is a framework for managing which focuses on increased accountability and results.

Performance measures are developed to measure the results of processes and activities that affect Shareholder Value Added – both financial and non-financial. They provide a tool for evaluating and adjusting performance – both organizational and individual. They are also used to demonstrate alignment and progress of a set of strategies and initiatives towards achieving BC Hydro's strategic objectives.

The development of performance measures is an evolving process – as business needs change, measures must as well. Performance measures have been identified for several areas of BC Hydro and others are in the process of being assessed and implemented. The following report provides the results for selected performance measures.

### shareholder value added (SVA) MILLIONS OF DOLLARS

99/00 Actual	\$129
99/00 Target	\$10
98/99 Actual	\$(1)

SVA is a measure of how well the company performed beyond the return expected for a company with a similar level of risk. It is calculated as: Net Operating Profit less Capital Charge. Net operating profit is net income before finance charges and the transfer to the Rate Stabilization Account. Capital Charge is Invested Capital x Cost of Capital.

Actual results were higher than target and the prior year primarily due to higher electricity trade revenues and lower capital charges, primarily a result of lower interest rates. An increase in energy costs, largely a result of the increase in electricity trade transactions, and higher operations, maintenance and administration (OMA) partly offset the favourable variance. BC Hydro was able to take advantage of the significant opportunities created by the high water inflows into its reservoirs and a strong export market to increase its SVA. The positive results in fiscal 2000 allowed BC Hydro to transfer \$129 million into a Rate Stabilization Account (RSA). The balance in the RSA will benefit ratepayers in the future as it will be used to offset any rate increases that may be needed to allow BC Hydro to earn its allowed return on equity.

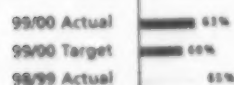
### COMA per customer (capital, operations, maintenance and administration expenses per customer)

99/00 Actual	\$148.2
99/00 Target	\$138.7
98/99 Actual	\$145.5

COMA per Customer measures the efficiency of capital and OMA expenditures in serving customers. It is calculated as: [Recurring capital expenditures + OMA] / Number of Retail customers weighted by average revenues.

Actual results were higher than target and the prior year primarily due to an increase in post retirement benefit costs as a result of the latest actuarial valuation and to an increase in environmental expenditures. Expenditures required to maintain BC Hydro's aging fleet of assets to ensure continued system reliability also contributed to the increase.

## public opinion



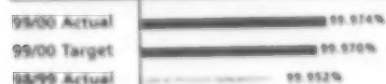
The Public opinion survey measures public perception of BC Hydro's policies and practices in areas including environmental and social responsibility, operations, performance, and public and employee health and safety. The figure represents the percentage of BC residents who held favourable impressions overall of BC Hydro.

## customer satisfaction



Customer satisfaction is the average rating on a 1-point scale where 1 = not at all satisfied and 10 = very satisfied. Customers were divided into three groups: 1. residential customers; 2. small/medium commercial customers and industrial; and 3. large commercial and industrial. Customer surveys were conducted in each of the four quarters during fiscal years 1999/00 and 1998/99. The 7.9 rating represents the average rating for each of the three customer groups.

## average system availability index (ASAI)



ASAI is the percentage of total time that power was available to customers calculated on a rolling twelve-month-average basis. This is a key measure of reliability of service for the electricity industry. The prior year experienced unusually severe winter storms resulting in the lower ASAI last year.

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## statement of corporate governance practices

Strong and effective leadership from the Board of Directors will guide BE Hydro into the 21st century. BE Hydro's governance framework is designed to strengthen the Board's ability to provide the type of leadership required to ensure the Corporation's success.

In 1997, the Board of Directors produced a new governance framework which clearly defines the roles, responsibilities and accountability of the Board and Management as well as establishing processes to ensure sound governance practices within the Corporation.

The rapidly changing business environment in which BE Hydro operates requires an annual governance review to ensure that policies and processes continue to meet the needs of the Corporation and its Subsidiaries. To this end, an extensive governance review was conducted by the Board during 1999 which also included taking a closer look at the Director and Employee Code of Conduct.

Improvements to the governance framework, which were approved by the Board of Directors in January 2000, provide an update on policies and procedures, including an explanation of the risk management process, Board and President/CEO responsibilities for the Environmental Management System, an extensive section on Subsidiary governance, and improvements to the Code of Conduct. The new material on Subsidiary governance, ensures that responsibilities and accountability are clearly defined and appropriate between the parent and the Subsidiary, while providing the Subsidiary with the required level of independence to effectively conduct business and meet its mandate.

Since the Director and Employee Code of Conduct was originally adopted in 1998 it has helped to provide guidance and reinforce BE Hydro's corporate values and behaviour. Improvements to the Code of Conduct that arose from last year's Board review equip both Directors and Employees with policies and processes to meet changes in BE Hydro's business environment.

The Board of Directors and Management are mindful that frameworks or manuals will not guarantee good governance and that success depends upon leadership practices and positive working relationships between Directors and Employees at BE Hydro. The Corporation is proud of what has been accomplished since 1997 and is committed to improving its processes to ensure good governance practices continue at BE Hydro.

The Director and Employee Code of Conduct can be viewed in its entirety on BE Hydro's web site at [www.behydro.com](http://www.behydro.com).



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## board of directors

(back row)

Jim Sinclair  
John Stubbs  
Gordon Green  
Sophie Pierre  
Jack Gerow

(front row)

Erda Walsh  
Anne Martin  
Brian R.D. Smith, Chair  
Shirley Chan  
Gwen Johansson

(missing - inset photo  
left to right)

Robert Fairweather  
Maureen Headley  
Chris MacPherson



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## committees of the board of directors

### executive

Brian R.D. Smith, Chair  
Jack Gerow  
Gordon Green  
John Stubbs

### environment and aboriginal relations

Sophie Pierre, Chair  
Jack Gerow  
Gwen Johansson  
Anne Martin  
Jim Sinclair

### corporate resources

Shirley Chan, Chair  
Gordon Green  
Anne Martin  
Sophie Pierre

### finance

Gordon Green, Chair  
Robert Fairweather  
Jack Gerow  
Chris MacPherson  
John Stubbs  
Erda Walsh

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## advisory committee

### peace river/ williston reservoir

Gwen Johansson, Chair  
Sheri Derby (Chetwynd)  
Arthur Hadland (Taylor)  
Andrew Larstone (Fort St. John)

Eunice Michael (Mackenzie)  
Steve Rison (Dawson Creek)  
Brent Rogers (Fort St. John)  
Leigh Summer (Hudson's Hope)

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## corporate management committee

(back row)

Shawn Thomas  
Bruce Sampson  
Mike Gormick  
Ken Peterson  
Michael Costello  
Brian Demerse

(middle row)

David Harrison  
Ray Aldeguer  
Blair Trousdell  
Gary Rodford

(front row)

Gayle Stewart  
Ron Threlkeld



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## officers and senior management

Brian R.D. Smith CHAIR  
Michael Costello PRESIDENT & CHIEF EXECUTIVE OFFICER

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Ray Aldeguer SENIOR VICE-PRESIDENT, LEGAL, REGULATORY AFFAIRS & GENERAL COUNSEL  
Brian Demerse VICE-PRESIDENT, HUMAN RESOURCES  
Mike Gormick VICE-PRESIDENT, MARKETING AND SALES  
David Harrison SENIOR VICE-PRESIDENT, CORPORATE & FINANCIAL AFFAIRS AND CHIEF FINANCIAL OFFICER  
Yakout Mansour VICE-PRESIDENT, GRID OPERATIONS AND INTERUTILITY AFFAIRS  
Gary Rodford SENIOR VICE-PRESIDENT, EXECUTIVE OPERATIONS  
Bruce Sampson VICE-PRESIDENT, STRATEGIC ISSUES AND PLANNING  
Gayle Stewart VICE-PRESIDENT, CUSTOMER SERVICES  
Shawn Thomas SENIOR VICE-PRESIDENT, MARKETING, COMMUNICATIONS AND PUBLIC AFFAIRS  
Ron Threlkeld SENIOR VICE-PRESIDENT, TRANSMISSION AND DISTRIBUTION  
Blair Trousdel SENIOR VICE-PRESIDENT, POWER SUPPLY

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Valerie Lambert TREASURER  
Debbie Lamming ASSISTANT CORPORATE SECRETARY  
Gary Sherlock CONTROLLER  
Bob Steele CHIEF INFORMATION OFFICER  
Myra Watson CORPORATE SECRETARY

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## subsidiaries

### BRITISH COLUMBIA HYDRO INTERNATIONAL LIMITED (BCHIL)

#### board of directors

Michael Costello  
Robert Fairweather  
Gordon Green  
Brian R.D. Smith  
John Stubbs  
Blair Trousdell

#### officers

Michael Costello  
CHAIR

Blair Trousdell  
PRESIDENT

Jim Gemmill  
VICE-PRESIDENT, OPERATIONS  
AND CONSULTING SERVICES

Myra Watson  
SECRETARY

Debbie Lamming  
ASSISTANT SECRETARY

### BRITISH COLUMBIA POWER EXCHANGE CORPORATION (POWEREX)

#### board of directors

Shirley Chan  
Michael Costello  
Robert Fairweather  
Jack Gerow  
David Harrison  
Ken Peterson  
Jim Sinclair  
Brian R.D. Smith

#### officers

Michael Costello  
CHAIR

Ken Peterson  
PRESIDENT

Bruce Sampson  
EXECUTIVE VICE-PRESIDENT

Doug Bishop  
EXECUTIVE VICE-PRESIDENT,  
MARKETING & SALES

Doug Little  
VICE-PRESIDENT, TRADE POLICY  
& DEVELOPMENT

Tim Newton  
VICE-PRESIDENT,  
STRATEGIC PLANNING

Teresa Conway  
VICE-PRESIDENT, FINANCE

Myra Watson  
SECRETARY

Debbie Lamming  
ASSISTANT SECRETARY

### POWERTECH LABS INC. (POWERTECH)

#### board of directors

Michael Costello  
Gwen Johansson  
Prabha Kundur  
Ron Threlkeld  
Blair Trousdell  
Erda Walsh

#### officers

Ron Threlkeld  
CHAIR

Prabha Kundur  
PRESIDENT

Nigel Austin  
VICE-PRESIDENT, FINANCE  
& BUSINESS SUPPORT

Myra Watson  
SECRETARY

Debbie Lamming  
ASSISTANT SECRETARY

### WESTECH INFORMATION SYSTEMS INC. (WESTECH)

#### board of directors

Les Harris  
David Harrison  
Chris MacPherson  
Bob Steele  
Blair Trousdell

#### officers

David Harrison  
CHAIR

Les Harris  
PRESIDENT

Daniel Bowditch  
VICE-PRESIDENT, GIS SYSTEMS

Arthur Kuiper  
VICE-PRESIDENT, CUSTOMER  
& CORPORATE SYSTEMS

John Lam  
VICE-PRESIDENT, ENERGY SYSTEMS

John McArthur  
MANAGING DIRECTOR, E-BUSINESS  
SOLUTIONS & PUBLIC SECTOR

Myra Watson  
SECRETARY

Debbie Lamming  
ASSISTANT SECRETARY



Monitoring towers located throughout British Columbia will  
help determine the viability of adding wind-generated power  
as a new energy source.

In ten years, demand for electricity could  
increase by up to 20 per cent in British Columbia.  
That's why we're looking for new technologies and  
new sources of clean, green and renewable energy  
to meet some of the growth.

So the story doesn't end here, it's just beginning.